The On-Line Encyclopaedia of Strategic Management: Notes & Concepts

This encyclopaedia accompanies the following textbook:

Witcher B. J. & Chau V. S. (2010), *Strategic Management: Principles and Practice,* South-Western, Cengage Learning.

The majority of the entries are written as closely as possible to the original perspectives of the influential writers and researchers who are associated with them. While all the important strategy and strategic management concepts are here, the primary aim in making these notes is to include (sometimes at length) ideas which are generally downplayed or neglected in the mainstream strategic management textbooks. This especially applies to strategy implementation and execution - the translation of longer-term strategy into short-term action: so, for example, there are extended entries on the balanced scorecard, hoshin kanri, TQM, and cross-functional management. It is recognised that the encyclopaedia contains much that is controversial. Indeed, many of the views offered here contradict each other.

However, seminal and classic texts, that is those which are referred to by large numbers of other writers, often have a long life. If you want to know what these say, then always go to the original source, and don't depend too much on second-hand accounts given by other authors since these can often be misleading. Be clear about where you think ideas come from and be conscious of the context and the complexity that produced them. Consider pros and cons, and how a particular theory and a particular issue might be appropriate for a particular instance of practice. In so doing, always disentangle your views and your ideas from those of others.

accountability (see review)
This concerns the need to hold employees, especially management, to account not only for what their own work but also for their performance in helping others within the organization. This is especially important when individuals and teams take responsibility for plans and objectives, when owners should explain current status and progress at review in ways that enable others to see what is happening and learn any lessons for their own activities.

accounting (see strategic management accounting)
acquisition (see mergers & acquisitions)

acquisition integration (see mergers & acquisitions)
Burgelman & McKinney (2006) in a review of the HP-Compaq merger proposed a conceptual framework for acquisition integration. They proposed four concurrent processes: (1) formulating an integration logic and performance goals, (2) creating the integration plan, (3) executing operational integration (short-term performance), and (4) executing strategic integration (long-term performance). They argued that HP focused too much on (3) (the operational gaols were achieved), but not enough on (4). *"The weak feedback loop prevented top management from testing the new corporate strategy with key customers and from timely revisiting of the initial assumptions on which the longer-term performance gaols were based...the strategic integration process was not clearly recognised as a distinct one by top management...resulted in insufficient top management attention to executing the multi-year strategic activities*

necessary to meet the longer-term goals," (23). For example, *"It was hard to get the top team to focus on scanning the changing economic and competitive environment and to focus on the longer-term strategic initiatives necessary to achieve the potential of the new company,"* (21). The *"integration team's role was to work with the new company's Executive Committee members to agree on short-term and long-term goals, define exactly how the new organization and related decision-making would work, and to develop comprehensive plans required for the new company to successfully implement all aspects of the operational and strategic integration. Part of the integration planning team was chartered to prepare the go-to-market strategy for the new company and to start the development of the multi-year strategic initiatives related to the further development of HP's direct distribution model (to compete with Dell) and global accounts to solution delivery capability (to compete with IBM). Eventually over 1,500 senior people became involved full-time with integration planning. The remainder of the 150k people of the two companies continued to compete with each other in the market place,"* (13). Several new tools were used to deal with structure and process issues as they developed: creation of 'clean teams' (that had no connection with day-to-day matters), decision-making approaches such as 'adopt and go' (adopt only the better practice, either from either HP or Compaq and go with it), and 'launch-and-learn' (take action that was fast and good enough), 'put the moose on the table' (differences identified and the way to deal with them agreed quickly and openly), and 'fast start' (getting people quickly to learn about changes to influence the longer-term culture changes). The HP integration team also considered the lessons of other mergers and kept in touch with the integration leaders of mergers taking place at the same time. The HP-Compaq case was an absorption acquisition, in which the companies become fully integrated (Haspeslagh & Jemison, 1991).

activity-based view of strategy (see strategy-as-practice)
Activity-based view of strategy is a view that strategically-relevant (typically cross-functional) activities should be tailored to sustain strategy. Michael Porter (1985, 1991) indicated the importance of the optimisation and coordination of 'activities' in a value chain and later (1998) refers to an activity-based theory of the firm, arguing that activities, *"narrower than traditional functions such as marketing or R&D, are what generate cost and create value for buyers; they are the basic units of competitive advantage,"* (xv). He asserted that 'processes' in the literature on re-engineering is used as a synonym for activities, and that sometimes it refers to activities or sets of activities that cut across organizational units. He argued the *"essential notion is the same – both strategic and operational issues are best understood at the activity level,"* (*ibid.*). Porter (1996) outlined a conceptual idea he called an 'activity mapping system', and he gave examples for Vanguard and Southwest Airlines. Porter wrote of a set of tailored activities that are designed to deliver competitive difference. Activities need to be strategically fitted together, not together as a collection of functional areas, but rather in terms of how they reinforce and sustain a competitive strategy. This idea, suggested Porter, is consistent with the idea of core competences, critical resources and key success factors: *"In companies with a clear strategic position, a number of higher-order strategic themes can be identified and implemented through clusters of tightly linked activities,"* (71).

activity mapping system (see activity-based view of strategy)

adaptation & integration (see strategic planning, Miles & Snow)
Lorange (1980) used adaptation and integration in his classic exposition of strategic planning. Adaptation is about the identification of strategic options. This requires firms to systematically look for external opportunities and/or threats in its environment to come up with the best alternatives for the firm to pursue. When an industry is rapidly growing or subject to other radical change, then adaptation is likely to be predominant. Integration emphasizes the internal development of strategic programmes to achieve particular objectives. This involves all the discussions, agreements about strategies to achieve the objectives that finally result in action plans and budgets. Put broadly, it is the difference between the 'what' of strategy on the one hand, and the 'how' of strategy on the other. There is a similarity to the dichotomy drawn between explorative and exploitative learning, where the former explores new information and adapts the organization strategically to external change, and the latter exploits existing information and integrates the organization internally to be operationally effective.

adaptation strategies (see Miles & Snow)
administration (see general management)
administrative theory (see organisational theory)
agency theory (see organizational economics)
agile working (see lean working)

alignment (see FAIR, MbO, catchball, strategic planning)
Alignment has two meanings. The first is organizational alignment in the senses of how a firm's organizational structure should be aligned to its external environment (a variant of strategic fit; see Powell, 1990b, who argued that a firm's ability to align itself represents a strategic resource that generates economic rent). The other concerns the internal alignment of strategic objectives and strategy with a firm's other objectives, strategies, management systems, or the alignment of longer-term purpose with shorter-term actions. In the case of the balanced scorecard, for alignment, *"three distinct mechanisms are used...(1) Communication and Education Programmes. A prerequisite for implementing strategy is that all employees, senior corporate executives, and the board of directors understand the strategy and the required behaviour to achieve the strategic objectives. A consistent and continuing programme to educate the organization of the components of the strategy, as well as reinforcing this education with feedback on actual performance, is the foundation of organizational alignment. (2) Goal-Setting Programmes. Once a base level of understanding exists, individuals and teams throughout the business unit must translate the higher-level strategic objectives into personal and team objectives. The traditional MbO programmes used by most organizations should be linked to the objectives and measures articulated in the balanced scorecard. (3) Reward System Linkage. Alignment of the organization toward the strategy must ultimately be motivated through the incentive and reward systems. While this linkage should be approached carefully, and only after the education and communication programmes are in place, many organizations are already benefiting from linking incentive compensation systems to their balanced scorecards,"* (Kaplan & Norton, 1996b: 200).

However, Lawrie & Cobbold (2001) make the point that the deployment of longer-term strategy into shorter-term activity requires that the existing performance

management systems at operational levels be properly aligned (a point made by Kaplan & Norton for the balanced scorecard). This is really a focus question and is akin to the reconciliation of departmental and cross-functional objectives for hoshin kanri at the focus stage. The alignment of annual (action) plans, including budgets, in hoshin kanri to accommodate the deployed strategic annual objectives-and-means (hoshins) occurs during deployment through catchball (or nemawashi in Japan). Conventionally alignment in western strategic planning is done by using MbO for the annual deployment of strategic objectives.

alliances (see strategic alliances)
analyser company (see Miles & Snow)
andon cord (see total quality management)
appraisals (see performance appraisals)

architecture (see platforms)
The term 'architecture' is popular in the general management literature and is typically used to refer to such things as networks and infrastructural elements, including a mix of formal and informal management systems, frameworks, organizational structure, and culture. Architecture can be understood as coordinating features that link up activities and influence behaviour; and which are 'hard-wired' into an organization in the same way that a building's design will condition how people work (such as Bentham's panopticon design for prisons and workhouses, linked to his general principle of inspective architecture, an idea developed in Taylor's scientific management). A modern example relates to information architecture, where the design of a database in terms of its applications will determine how people work together.

In the context of strategic performance management, Wade & Recardo (2001) referred to three kinds of architecture – organizational (including human resources and people), technological (management information systems), and process (value chain, physical layout). Hamel & Prahalad (1994) give 'strategic architecture' a central role where they argued that *"a company needs a point of view about the future (industry foresight) and must construct a blueprint for getting there (strategic architecture),"* (280). This 'blueprint' is difficult to define in this work, but it requires stretch goals and core competences. The importance of a corporate architecture is particularly important for competence-building and to ensure that existing core competences do not fragment across corporate business units. The thrust of their writing is on facilitation rather than top-down strategic control. More recently, the strategic management literature has used 'dynamic capabilities' (rather than architecture) as a concept for having a corporate-wide capability to reconfigure and sustain core competences.

asymmetric information (see organizational economics)

backroom leaders (see leadership)
Backroom leaders are senior managers who are self-effacing and work to build up a disciplined organizational culture.

balance (see the balanced scorecard, paradox, financial perspective)

After purpose, the next most important strategic management challenge is to balance the longer-term needs of the future, in particular those areas of the business that are especially core to long-term success (the 'enabler's in the figure), and the specific short-term imperatives (the 'results') in the present. Long-term aims are typically more general and open than the more specific and more measurable objectives of the shorter term.

The LONGER-TERM needs of the future must be continuously balanced with the SHORT TERM imperatives of the present.

This is basic to effective strategic management.
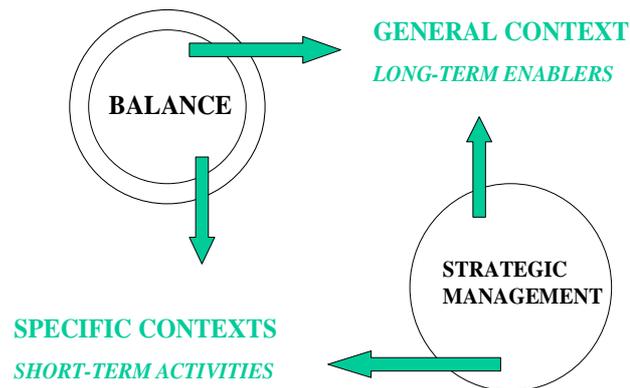
Ed Arditte (senior vice-president of strategy and investor relations at Tyco international, 2003-present), has said: *"The responsibility is both in the short and long-term results. There has to be a balance, but there's never a perfect answer for how you balance them. You need a dialogue that aligns resource allocation, people, and money with both the short and long-term."* Stuart Grief (vice president of strategy and business development at Textron, 2005-present), *"Balancing the short versus long term is the biggest challenge we have. How do you balance the trade-off between the short-term compensation lift from near-term performance and the investments – and therefore the depressed economics, shorter-term – that make the long-term strategies pay off?"* (Dye, 2008).

The failure to manage this balance effectively is a primary cause of a strategy-implementation gap in organizations, especially a failure to link an executive's top management goals with objectives in daily management. This is a major cause of loss of momentum in change management. Long-term organizational objectives are difficult to manage as short-term activities. The reason is that activities, which yield positive results quickly, especially ones which directly concern the short-term financial health of the organization, are naturally given prominence at an operational level over those where the payoff is longer-term and perhaps uncertain.

Peter Drucker, who perhaps more than anyone can claim to be the spiritual father of management as a profession, was one of the first to articulate concerns about problems of balance (and imbalance) in organizational strategic objectives. He wrote: *"the search for the one right objective…is certain to do harm and to misdirect. To*

emphasize only profit, for instance, misdirects managers to the point where they may endanger the survival of the business. To obtain profit today they tend to undermine the future. They may push the most easily saleable product lines and slight those that are the market of tomorrow. They tend to short-change research, promotion and the other postponable investments. Above all, they shy away from any capital expenditure that may increase the invested-capital base against which profits are measured; and the result is dangerous obsolescence of equipment. In other words, they are directed into the worst practices of management…Objectives are needed in every area where performance and results directly and vitally affect the survival and prosperity of the business (59)…*There are few things that distinguish competent from incompetent management quite as sharply as the performance in balancing objectives,"* (Drucker, 1955: 83).

The EFQM performance excellence model makes a distinction between longer-term enablers, and business results. Kaplan & Norton (1996ab) made a similar distinction between outcome measures, which they explain are lagged measures of past progress, and lead measures, which are indicators of future progress. Thus lagged measures involve present indicators such as employee satisfaction, retention and productivity; these outcomes are influenced by lead measures, such as staff development and working conditions. Good management involves the strategic management of both sets of objectives. Striking a balance is likely to involve compromises and trade-offs, and as conditions change over time it is likely that objectives will require unequal attention and effort at different times. In other words, some are more equal than others depending upon context and timing. In this there is always a danger that as some objectives receive particular focus, others will be neglected. For example, the *"juxtaposition of two contrasting strategies (productivity versus growth) is a frequent cause of strategic failure. Organizations become confused by apparent contradictions and fall back to one-dimensional behaviour…*[managers should] *define and…clarify any contradictions, to make the organization aware of the trade-offs and to manage them – across their internal value chain – in a visible and effective way,"* (Kaplan & Norton, 2001: 31). Effective strategic management should resolve these kinds of trade-offs.

balanced scorecard (see balance, tableau de bord, QCDE)
A balanced scorecard is a documented set of objectives and measures expressed from the point of view of four key areas of organizational concern. Robert Kaplan and David Norton introduced the balanced scorecard in a *Harvard Business Review* article in 1992 (Kaplan & Norton, 1992). It has been widely adopted. One important international survey indicates that more than 60% of companies now use the balanced scorecard (Rigby, 2003). It is also widely used by non-profit and public sector organizations (Drury & El-Sishini, 2005; Mackay, 2005). The scorecard is comprised of a limited number of strategic objectives and measures. These are formulated to enable senior management to strategically move an organization towards the achievement of an overall vision. The objectives and measures are decided in terms of four different perspectives. Kaplan & Norton argued that the objectives and measures should answer four fundamental questions:

- The financial perspective: To succeed financially how should an organization appear to its shareholders?
- Customer perspective: To achieve the organization's vision, how should it appear to customers?

- The Internal business processes perspective: To satisfy its shareholders and customers, what business processes must the organization excel at?
- The learning and growth perspective: To achieve the organization's vision, how will the organization sustain its ability to change and improve?

An example of an objective for each of the perspectives, with its possible measures, is given by the following table.

Financial Perspective
Objective: To maximise financial returns to the owners of an organization's capital
Measured by:
- *Return on capital employed*
- *Payments (e.g. dividends) to owners*
- *Cash flow*

Customer Perspective
Objective: To sustain customer relationships
Measured by:
- *Customer satisfaction & delight index*
- *Repeat purchase patterns*
- *Brand awareness in target segments*

Internal Processes Perspective
Objective: To create and maximise value in the customer-vendor relationship
Measured by:
- *Value stream analysis (to minimise non-value creation activities) index*
- *Value chain activities (coordination, optimisation activities) index*
- *Continuous improvement (innovation, change) index*

Learning & Growth Perspective
Objective: To motivate people & develop competences
Measured by:
- *Recruitment & retention rate*
- *Skills & training index*
- *Employee conditions & satisfaction index*

The scorecard may be unsuitable for organizations that have a large number of stakeholders if this means more than four perspectives. For example, senior managers may want to explicitly specify objectives and measures from the different perspectives of suppliers, regulators, community and environmental interests, and even competitors (Mooraj *et al.* 1999). Kaplan & Norton argued the number and nature of the perspectives can be customised to add new ones, but maintain the number of perspectives must be limited if the scorecard is to retain focus. It is better to broaden the interpretation of the original four perspectives than to increase the number and lose the value of the scorecard's compactness. The four perspectives are not meant to be prescriptive, although they should be robust enough for most circumstances. (The use of four BSC-like perspectives to categorise objectives is a tried and long established one in hoshin kanri, where the idea for a balanced scorecard came from.)

The original Kaplan & Norton article used different names for the internal business processes and learning and growth perspectives; these were originally called 'internal business' and 'innovation and learning' perspectives. The early names did not reflect

the strategic importance of core business processes and core competences. In fact, these changes were only a small part of broader changes in the authors' thinking, evident in new work published in 1996, and which included a central role for vision, and the introduction of the strategy map. Kaplan & Norton (1992, 1993) had originally thought of the balanced scorecard as a performance measurement, rather than a strategic approach for managing objectives (Kaplan & Norton, 2001a), but changed their minds when some of their client firms began to use scorecards to progress vision as a part of their strategic management. This is important, because firms and organizations still follow a performance management approach, while others now follow a strategic approach. However, many more seem to confuse the two, confusing what are properly operational objectives with strategic ones. Following Kaplan and Norton (1996ab) a 'strategic' use of the scorecard requires the executive level to specify only those objectives and measures which advance the firm or organization's overall vision. In so doing it is necessary to ensure that the critical success factors (CSFs) necessary to achieve vision are identified and understood.

Kaplan & Norton had thought that executives and managers would develop and agree a consensus on the choice of objectives and measures through discussions based around asking the four questions (shown in figure 1); that these would be enough to furnish clear points of reference for thinking about how to manage performance. Their switch to a more strategic stance, however, encouraged them to think about how to map the larger picture to identify clearly the assumed links between the CSFs. So they introduced the strategy map to help document the possible cause-and-effect linkages between the scorecard perspectives, objectives, and measures. The idea is to enable managers to systematically explore the relationships to understand how the CSFs should be measured to effectively manage strategic vision.

The figure below illustrates the idea for a university: the arrows show directional links between areas of activities that contribute to two strategic themes: growth and influence, and knowledge contribution.
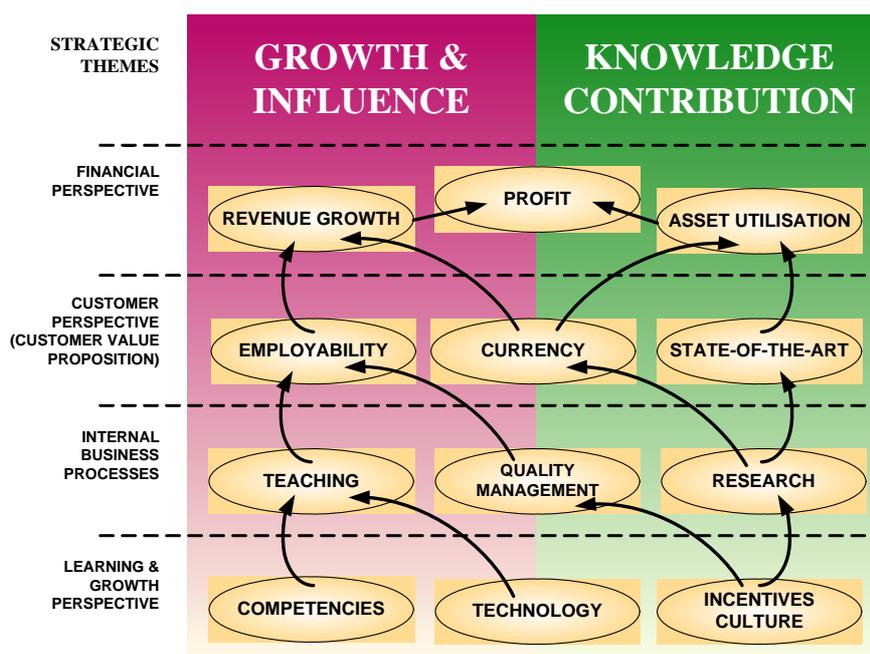
Figure2: Strategy Map for a University

The strategy map retains a focus on financial results, but it also recognises the importance of the enablers of those results. It is a principle of scorecard management that no perspectives are favoured to the detriment of the others. The position of the financial perspective at the top of the cause-and-effect hierarchy in the above figure does not imply an order of priority, but only the direction of cause-and-effect. So, for example, the learning and growth perspective takes into account that a vision for growth and influence requires particular learning skills; these are necessary to manage the key enabling processes that create the value to students and sponsors that creates an income, which is consistent with the financial resources of the university.

There cannot be any definitive and deterministic quantitative linkage between the non-financial and financial perspectives. The financial perspective is dependent, but it is difficult to identify a definite link as influences generated by the external environment often dominate over internal improvement. For example, when a prototype of the scorecard was first used to improve non-financial performance at Analog Devices, stock prices fell due to the vagaries of the business cycle and lag effects (Schneiderman, 1999). Things might have been worse without these performance improvements in the non-financial perspectives, but causal relationships are difficult to pin down. This explains why Kaplan & Norton prefer to use the word, hypotheses, to describe the postulated cause-and-effect linkages.

The important thing is for the senior and other levels of management to use the strategy map continuously to discuss, monitor, and review change in the cause-and-effect linkages; especially to build and sustain a consensus about the basic assumptions on which the strategic objectives and measures are agreed and used. In the words of a practising manager: *"to use this as a strategic tool and ask, 'why are we off on that particular measure? Are we measuring the right thing? Is it what we are doing is never going to deliver a good result, or is there something else going on here?'…and using it to inform and have an informal discussion about where we should be putting resource going forwards,"* (Mackay, 2005: 33).

If the scorecard is used with the other analytical techniques used in making strategic choices, then it becomes a powerful framework for determining strategic priorities in strategy implementation and execution. A strategy map can be readily used to take account of evidence about both external and internal environmental conditions, see the table below:

	Evidence	Strategy Map (analysis)	Decisions on Priorities		
			Very few strategies (CSFs)	Diagnostic cross-functional targets (KPIs)	Local & functional strategies & targets
	Financial capabilities & assets	*Financial Perspective, Objectives & Measures*			
	Environmental & competitive situation	*Customer Perspective, Objectives & Measures*			
	Core areas, capabilities & performance	*Internal Process Perspective, Objectives & Measures*			
	Competences, methodologies & philosophies	*Learning & Growth Perspective, Objectives & Measures*			

However, note that there is nothing about the scorecard and its strategy map that necessarily determines what the content of the objectives and measures should be. Rather they are frameworks for thinking and monitoring decisions and for working out the assumptions about longer-term strategy. The balance scorecard approach aims to encourage decision-takers to understand the importance of the different perspectives as related elements. Kaplan & Norton (2000) argued that strategy maps also give employees generally a clear and visual understanding of how their jobs are linked to the overall objectives of the organization and that this enables them to work in a coordinated collaborative fashion. Kaplan & Norton argued against an exact and deterministic-based understanding of corporate level objectives and measures, but instead stress the importance of alignment and communication.

If a balanced scorecard is to work effectively as an integral part of strategic management, then it is necessary to have in place high level supports. Kaplan & Norton (1996ab) proposed a four part process. This starts with senior level agreement on the appropriate strategic objectives and measures, which are chosen to achieve the organization's vision. The scorecard is then communicated to the rest of the organization, so that management performance systems generally, such as incentives and rewards, can be aligned to the scorecard. After this the scorecard can be used as basis for deciding policies, mid-term plans and other strategic initiatives. The final part is to provide feedback on the implementation and execution of these, but in ways that enables senior managers to evaluate and learn how the scorecard's objectives and measures are working and to test the assumptions and CSFs. Kaplan & Norton emphasize the importance of the top management team taking full charge and responsibility for managing the scorecard: the chief executive should take responsibility for the whole process, while each of the four sub-processes should be the responsibility of an individual senior manager.

The non-financial variables on the scorecard are difficult to identify correctly and in principle the wider organization should be involved in their formation (the first part of the model). The objectives and measures should be based on knowledge of the

means that will be used to achieve them. Yet the means are rarely known at the time when objectives and measures are set, with the result that if they are too low, the organization's potential will be unfulfilled; if they are too high, then the organization will seem to have under-performed to expectations. What is needed is to set rational objectives and measures as meaning yardsticks of what is achievable. In this lies the importance of the process as a continuously managed learning cycle. Kaplan & Norton argued that in practice only a few companies have an effective capability for organizational learning at the executive level. They maintain that most managers do not have a procedure to receive feedback about their strategy, and in a way that enables them to test the assumptions on which their objectives and measures are based. They argued the scorecard and its accompanying strategy map give to the executive level a capacity for strategic learning, *"which makes the balanced scorecard the cornerstone of a strategic management system,"* (Kaplan & Norton, 1996b: 269).

Kaplan & Norton (2005) also advocate a formal administrative function to support the management of the scorecard. This helps facilitate its use as an organization-wide system, by making sure that management systems, plans and reviews, are aligned. This function should report directly to the chief executive, who, as noted, should have the responsibility for the balanced scorecard.

The Danger of Scorecard Overload:

As noted above, the original balanced scorecard idea was focused on performance measurement and Kaplan & Norton emphasized the importance of measurement. In this managers need not only to measure performance outcomes, but also the effectiveness of those activities that will help produce these. Given the pressure on executive time, the issue here for strategic management is about how top managers can manage strategically to ensure that the critical things that determine success get done. This is at the heart of strategic management and it must be managed to realise sensible policies at an operational level.   While the scorecard should be straightforward and kept simple, confusion is likely if the objectives and measures are too numerous to manage. Berkeley-Hill, a manager at Ford, found the scorecard became unwieldy if it involved too many objectives and measures: *"Many companies implementing a scorecard for the first time make the mistake of creating a scorecard from the large number of existing measures. The author recollects the first scorecards at Ford.   Unrelated to any strategic planning, these were developed because scorecards were the fashionable management accessory. The main driver appeared to be the now oft quoted Kaplan and Norton expression – 'If you can't measure it, you can't manage it'. Every conceivable measure for the particular operation was added to the card that was then reduced so it could fit a shirt pocket. What was not taken into consideration for this monthly exercise was the effort involved in collecting and verifying the measures before publication. To no one's surprise the second edition was never published,"* (Berkeley-Hill, 2002a: 10).

The over-abundance of objectives and measures is typically down to confusion about which objectives and measures are strategic and which are operational. This applies particularly to measures. Measures provide the essential handle for understanding and reviewing progress on an objective. However, it is often easier to measure known and alike activities than uncertain and different ones and measures are

typically more reliable for tracking specific indicators for diagnostic control, rather than for broader and more general strategic issues. To clarify this issue Kaplan & Norton made a distinction between strategic and diagnostic objectives and measures. Strategic ones deal with organizational issues that are central to an effective management of vision. Diagnostic objectives and measures instead monitor whether the organization remains in control and can signal when unusual events are occurring that require immediate attention. While senior managers are proactively involved only with the first, they become involved with the latter only by exception. This keeps the number of scorecard objectives and measures to a manageable number, typically no more than about eight objectives and 24 measures, and these are based on the small number of CSFs necessary for moving the firm or organization forward. Kaplan and Norton maintain that organizations are likely to have numerous diagnostic objectives and measures; these are the key performance indicators (KPIs) which monitor overall operational effectiveness.

According to Kaplan & Norton (1996b) the purpose of vision-linked objectives and measures is to drive competitive breakthrough. However, there is no reason why such objectives and measures should not drive a vision for any form of desired breakthrough, which, for a non-profit making organization for instance, may have nothing to do with reaching a stronger competitive position. Vision is what an organization wants to be in the future and a balanced scorecard approach is potentially relevant to any organizational purpose.

Kaplan & Norton argued a corporate scorecard provides a basis for other levels in an organization to design their own scorecards. In their example of practice at Mobil they observed that each business unit developed its own scorecard in light of local circumstances. They note that the measures used at the individual business levels did not have to add up to a divisional measure. Rather managers chose local measures that would influence the measures on the divisional scorecard; the local measures are not a simple decomposition of the higher-level scorecard (Kaplan & Norton, 2001b). Also lower level scorecards can inter-relate to some extent, so, for example, where a unit is an internal supplier to another, then its customer perspective on its scorecard is likely to reflect the scorecard requirements of that internal customer.

Kaplan & Norton (2001b) refered to the limitations of MbO and advocate individuals and teams should define their own objectives, but they do not articulate how this may be done, or how these are aligned to scorecard objectives. The balanced scorecard as a strategic approach to performance management is designed to be at the centre of all an organization's management control systems. However, its operational effectiveness seems to depend upon how these other systems are managed in relation to the scorecard (Otley, 1999). In using a strategy map, for example, senior managers should understand the working of their organization's deployment system for breaking down scorecard objectives to levels where the actual improvement activities reside. The balanced scorecard was originally designed to complement hoshin kanri, which is an advanced form of objective management. Arthur Schneiderman is credited with designing the prototype for the scorecard (Kaplan & Norton, 1993), and he comments there *"is great value in even subjective agreement, that if all of the goals of subordinate scorecards are achieved, then a higher level goal will also be achieved…This approach is a centrepiece of hoshin kanri,"* (Schneiderman, 1999: 9).

A state-of-the-art improvement system is useful, such as a PDCA-based continuous improvement approach. *"I am amazed by the number of well known organizations that I've visited that still rely on trial and error as their official improvement methodology. They do not call it that, but diagnosis reveals the lack of a scientific approach. Usually missing are essentials such as root cause analysis, verification of improvement, documentation of changes, and reflection on the improvement process itself,"* (Schneiderman, 1999: *ibid.*). That is, a way of managing such as a PDCA-led kaizen system is not used. Also, a lack of analytical skills among managers and front line staff can be a major problem. Performance measures typically require structured, rigorous analysis and related teamwork, in order to reach sound conclusions and take effective action on the root causes of problems. This requires working to business philosophies such as TQM, and the use management methodologies to facilitate an effective management of work: *"I find myself increasingly using this acronym* [MAD] *with clients: Measure the right things, improve Analytical skills and maintain Discipline…What is needed for success is to marry up the balanced scorecard (or something of the like) with some type of six sigma discipline in the management/workforce, in order to systematically reduce variation in the key things that we have decided to measure and which deliver the right ultimate results,"* (Scopes, 2006).

The use of the balanced scorecard for performance management is typically explained in the scorecard literature as a control approach, while its use with a strategy map has been called a planning and learning approach. There has been a widespread debate about which is more important in practice. Zingales et al. (2002) argued that the balanced scorecard is used for control, whereas Mooraj *et al.* (1999) found that European-based organizations use it for planning, especially to encourage strategic thinking. Antarkar & Cobbold (2001) argued that the scorecard can be equally effective for both approaches, but that the treatment of the scorecard must be different. A US-based survey of accountants produced a positive practitioner-based report on how objectives are used to communicate strategy and innovation; although the learning and growth perspective seems to present senior managers with the most problems (Frigo, 2002).

Theorists continue to question how consensus can ever be reached without any agreed principles for deciding the inevitable trade-offs of a strategy map (Jensen, 2001: 313). Jack (2002) argued that the form of the four perspective structure itself may become a preoccupation, rather than the real needs of strategy. Ittner & Larcker (2003) suggested that the strategy map is used superficially, because the links between the perspectives are self-evident, so that managers do not really question the underlying assumptions of the objectives and measures.

balanced scorecard & hoshin kanri
There are obvious similarities between the balanced scorecard in its role as a strategic management system and hoshin kanri. Arthur Schneiderman developed the "first balanced scorecard in 1987" while VP of Quality and Productivity at Analog Devices Incorporated, a semiconductor company based in the Boston area (Schneiderman, 1999: 7). Analog is mentioned in the original Kaplan & Norton (1992) article and it is probably the anonymous semiconductor company referred to as 'ECI', which is used by Kaplan & Norton to show how a scorecard can be used to operationalise a strategic vision with the use of a limited number of critical indicators of current and

future performance. Schneiderman used hoshin kanri to deploy his scorecard; he had spent time in Japan and was in touch with people at Hewlett-Packard who were using hoshin planning. Kaplan & Norton (1993) note that Analog: *"had served as the prototype for the balanced scorecard...Recently, the company has been attempting to integrate the scorecard metrics with hoshin planning, a procedure that concentrates an entire company on achieving one or two key objectives each year. Analog's hoshin objectives have included customer service and new product development, for which the measures already exist on the company's scorecard,"* (1993: 142). For an account by Analog's VP, see Stata (1989).

The balanced scorecard's four-part objective set is very similar to a Japanese cross-functional management of QCDE objectives in hoshin kanri, where the quality sub-set corresponds to the customer perspective; the cost, delivery, and education (people) objectives correspond to the financial, internal business process, and learning and growth perspectives respectively. However, Kaplan & Norton defined 'quality' and 'cost' narrowly and included them in the internal business process perspective (1996b: 44). They observed that *"By the mid-1990s...quality has shifted from a strategic advantage to a competitive necessity...It has become a hygiene factor; customers take for granted that their suppliers will execute to product and service specifications,"* (87). The QCDE scheme, however, does not take such things for granted and uses 'quality' to cover customer issues, and 'cost' to include financials more generally: so in QCDE neither quality nor cost are narrowly limited to reliability and cost savings. The scorecard associated cause-and-effect concept itself seems to have associations with TQM, where 'cause-and-effect' is about solving the root causes of issues. However, cause-and-effect in the context of the strategy map seems less about establishing the root fundamentals of strategic issues than about clarifying the nature of relationships between strategic objectives.

Schneiderman is possibly right about a complementary use for hoshin kanri. It could be used to translate medium term targets and initiatives at the annual planning stage to clearly specify a vital few, as well as the other CSF objectives. Catchball could be used to align budgets and so on, and a PDCA approach be used for both single and double-loop learning, especially when it involves senior management in strategic review and an annual business analysis or business audit of core operational processes (Witcher & Chau, 2007). A key aspect of hoshin kanri is its insistence on only a few hoshins, which might practically focus senior management on those cause-and-effect relationships that require urgent attention and breakthroughs in performance. However, hoshin kanri takes time to develop in any organization. The appeal of the scorecard is that it seems (mistakenly) to be a straightforward approach and therefore tempting to busy, career mobile managers who wish to see early business results. Indeed, it is easy for a level to establish its own scorecard and strategy map; however, if it does not link to corporate longer-term strategy, then it is not part of strategic management. The scorecard is mainly about the development of longer-term strategic objectives and measures. The issue is how to ensure that people understand longer-term strategy so they are able to see how strategy can inform their activities in daily management, and daily management inform longer-term strategy. The scorecard and hoshin kanri may represent two alternative ways for ensuring that strategic plans are implemented, representing two different cultures (American and Japanese). *"[One] focused on selecting and monitoring the right measures to drive change (the ends justifying the means), the other focused primarily on capability of the organizational*

processes that deliver value to the customer (the means contributing towards the ends)...The balanced scorecard is strong on <u>*what*</u> *should be done, but has little to say on* <u>*how*</u> *it should be done...K&N assume that the organization has the processes, knowledge and organizational structures to ensure a successful deployment and implementation,"* (Berkeley-Hill, 2002a: 13-14).

Dinesh & Palmer (1998) contrast the balanced scorecard with the fate of MbO, which was applied incorrectly because of *"a patent disregard for a core philosophy of MbO that calls for goal congruence through collaboration...However, we think that current management will use more collaboration [for the scorecard] than was the case with MbO, because of the influence of TQM,"* (363). If Berkeley-Hill is right, then it is possible that the fate of the scorecard will be similar to MbO. However, there is no reason why a corporate scorecard should not be used in conjunction with hoshin kanri as complementary parts of the POSIES model (Witcher & Chau, *op cit.*).

Baldrige National Quality Award (see performance excellence model)
barriers to entry (see competitive theory, first mover advantage, Internet)

benchmarking (see performance excellence models, world-class performance)
Benchmarking is a comparison of an organization's practices with those of other organizations, in order to identify ideas for improvement and potentially useful practices, and sometimes to compare relative standards of performance. A benchmark is: *"a measured best-in-class achievement; a reference or measurement standard for comparison; a performance level recognised as the standard of excellence for a specific business practice. Benchmarking is a systematic and continuous measurement process; a process of continuously comparing and measuring an organization's business processes against business leaders anywhere in the world, to gain information that will help the organization take action to improve its performance," (Watson, 1993: 258).*

The best known forms are competitive benchmarking, where the benchmarks are normally expressed as measured reference goals for aggregate performance, such as the output of a production line; and process benchmarking, where teams may visit another organization, often in an unrelated industry, to study analogous business processes. Benchmarking was used extensively early on at Xerox (Camp, 1989) and it was linked to the company's business excellence model. More recently process benchmarking seems to have become mainly an internal activity, used to compare practice with that in other Xerox business units. Best practices derived from benchmarking should be linked to planning and a company's management system. A set of best practices written for an organization's key organization-wide business processes can be used as a reference framework for senior management to review or audit the health of the organization. The emphasis should be on understanding process rather than measuring performance per se. The important thing is that organizations should strive for the best possible practice, not just current best practice. Even so, improvement to reach a standard of best practice will often mean goals that are out of reach of current process capability, and the organization will then have to strive for its own way of doing things to achieve breakthroughs.

Benchmarking to learn how to do things better can be difficult if it requires an in-depth understanding of the benchmarked company. Inkpen (2005) used the example

of the GM-Toyota NUMMI joint venture, which started in 1984. This involved a car plant in California, which tried out the Toyota Production System (TPS). Inkpen identified five learning obstacles among GM employees: causal ambiguity, lack of leadership and commitment to learning, unwilling to invest in learning, a failure to build a system to capture the learning of individual managers, and a 'not-invented-here-syndrome'. In the end GM developed actions to overcome these (these included the creation of a network of experienced NUMMI managers, new leadership, an advisor system, and the establishment of Greenfield site plants elsewhere), but it took many years. In the end, GM developed its own Global Manufacturing System, which was designed to transform multiple ways of manufacturing into a single method. *"Commonality of process is key to GMS, coupled with a global vehicle architecture strategy and an emphasis on putting flexible manufacturing tools in the plants,"* (131-132). *"The lack of understanding and appreciation for the value of NUMMI knowledge ties back to…causal ambiguity. Knowledge cannot be appropriately valued if it cannot be understood. Knowledge associated with the TPS was particularly difficult to understand because of its systemic and integrated nature, which leads to a second factor impacting the implementation of NUMMI ideas. Within GM there was a belief that the 'secret' to the TPS was observable and transportable, i.e., 'if we could just get the blueprints for stamping'. However, the knowledge was not easily broken down into transportable pieces. The knowledge about TPS and lean manufacturing was deeply embedded in the Toyota context and was tied into an integrated system. As a manger said, 'You cannot cherry pick elements of lean manufacturing: you must focus on the whole system. Once you learn how the system works you need a good understanding of the philosophy that underpins it.' The initial learning challenges are summed up in the following statement from a GM manager's: 'We* [managers in GM] *started with denial that there was anything to learn. Then we said Toyota is different, so it won't work at GM. Eventually we realised there was something to learn. The leaders initially said: implement lean manufacturing, but they did not understand it…We went to Japan and saw 'kanban' and 'andon'* [where employees are empowered to stop the line to solve problems when they occur] *but people did not understand why they work. We did not understand that the TPS is an integrated approach and not just a random collection of ideas…We implemented parts of the system but did not understand that it was the system that made the difference…We did not understand that the culture and behaviour has to change before the techniques would have any impact',"* (120-121).

"Firms often fail to understand or appreciate their partner's areas of competency, a situation that has been referred to as casual ambiguity [Reed & DeFillippi, 1990)]. *Casual ambiguity arises when managers do not understand the relationship between organizational actions and outcomes. A common expectation in the alliance context is that the knowledge associated with differences in skills between partners will be visible and easily transferable. Many firms have expected to find knowledge in their alliances that could easily be transferred on a piece-meal basis. Often these firms formed their alliances with an objective of learning* <u>what</u> *their partner knew, rather than* <u>how</u> *and* <u>why</u> *the partner firms knew what they knew. Once they learned more about their partners, they realised that the most valuable knowledge was deeply embedded in an overall philosophy of doing business and tied to the culture and values of the partner firm. Once a firm realises that alliance knowledge is more complex than expected, there is a tendency to conclude that the learning effort is simply too difficult and not worth a major investment in knowledge management,"*

(Inkpen, 2005: 115-116). (Casual ambiguity may also be a contributory factor to the stickiness of best practice within a firm, see Szulanski, 1996).

The NUMMI project was Toyota's first North America manufacturing experience, and the company wanted to see if it could manufacture cars to the same standards used in Japan. The experience was positive, and led directly to the establishment of the company's first plant, located in Kentucky, in 1986 (Magee, 2007).

Benchmarking is not just a matter of understanding other companies, but it also requires understanding one's own company. Taiichi Ohno visited Ford and got his ideas for the TPS. But he didn't copy the Ford system, but instead got an understanding of how flow works (see just-in-time management) in a car system and how it should relate to customer demand. John Seddon stressed the importance of understanding one's own system: *"We don't have enough knowledge in our organizations. And you don't get knowledge by studying other people. You get knowledge by knowing how to look at your own system. That's the whole idea of check* [as part of 'PDCA' – although Seddon used 'PDC' and where the 'A' part of the cycle is a non-routine activity]. *Taiichi Ohno taught me, 'Don't go benchmarking. The only benchmarking you need is perfection and you can only find that by looking at your system. It's a question of do you know how to look?' Benchmarking is like industrial tourism. People don't even know what questions to ask but they have a jolly nice time,"* (2002: 8).

Porter (1996) argued approaches such as benchmarking represent improvements in operational effectiveness and do not constitute real strategy, because improvement can be copied. In this sense benchmarking may be essentially diagnostic, reactive to change and about doing existing things better, rather than about proactively discovering different ways of sustaining competitive difference. From the resource-based view *"the replication of best practice may be illusive,"* (Teece *et al.* 1997: 517): if managerial practices embedded in strategic resources are firm-specific then best practice may be irrelevant to a specific organization's strategic management. According to John Seddon, Deming believed that a firm should not copy practice *per se,* but it should let its own context determine the exact nature of methods.

This should not deter a firm from learning from another's experience, since insights are always available to inform and inspire practice. In fact, many managerial practices do not transfer simply, or wholly, and they typically require additional or new resources and capabilities that are specific to the adopting firm and are necessary if they are to work in a different context.

best-cost differentiation hybrid generic strategy (see competitive strategy)
This is a customer satisfaction based strategy that meets expectations on key product and service attributes, while exceeding their expectations on price. This is sometimes considered a straddler generic strategy.

best practice (see benchmarking, world class performance)
Jack Welch, ex-CEO of GE, noted: *"I've heard it said that best practices aren't a sustainable competitive advantage because they are so easy to copy. That's nonsense. It is true that once a best practice it out there, everybody can imitate it, but companies that win do two things: they imitate and improve…imitating is hard*

enough...But to make your strategy succeed, you need to fix that mindset – and go a lot further...about finding best practices, adapting them, and <u>continually improving them</u>. When you do that right, it's nothing short of innovation. New product and service ideas, new processes, and opportunities for growth start to pop up everywhere and actually become the norm. Along with getting the right people in place, best practices are all part of implementing the hell out of your big [strategic idea] *and to my mind, it's the most fun. It's fun because companies that make the best practices a priority are thriving, thirsting, learning organizations.* [184] *They believe that everyone should always be searching for a better way. These kinds of companies are filled with energy and spirit of can-do. Don't tell me that's not a competitive advantage!"* (2005: 185). Welch observes that after World War II and before global competition, most industrial companies, including GE, were stuck in a 'not-invented here' mind-set.

When the focus was on their own inventors, with *"plaques and bonuses reserved for the people who came up with and implemented original ideas. Once the '80s arrived, we had no choice but to radically broaden the NUH mind-set, and we did so by celebrating people who not only invented things, but found great ideas <u>anywhere</u> in the company. We came to call this behaviour 'boundarylessness'. This awkward word basically describes an obsession with finding a better way – or a better idea – whether its source was a colleague, another GE business, or another company across the street or the other side of the globe,"* (2005: 185).

Porter (1996) argued that approaches such as benchmarking for best practice might erode competitive advantage if it means that operational effectiveness is mistaken for competitive strategy: *"best practice competition creates a self-fulfilling prophecy. Rivals do the same things; offer the same products and the same services. Advantages then cannot be sustained."* attributed to Porter (Andersen *et al.* 2000: 8).

There may be serious limits to prescription since one should be cautious about how useful examples are, when taken out of context and much of the detail gets lost. Take this view from a consultant about the limits to learning from (and imitating) other organizations. *"The pressures of time and the need for brevity necessarily require much of the key detail to be left out, something that clearly reduces the utility of the advice. To illustrate - consider this clipping from a Monty Python script:*

Alan: Well last week, we showed you how to become a gynaecologist. And this week on 'How to Do It' we're going to show you how to play the flute, how to split an atom, how to construct a box girder bridge, how to irrigate the Sahara Desert and make vast new areas of land cultivatable, but first, here's Jackie to tell you all how to rid the world of all known diseases.

Jackie: Hello, Alan.
Alan: Hello, Jackie.
Jackie: Well, first of all, become a doctor and discover a marvellous cure for something, and then, when the medical profession really starts to take notice of you, you can jolly well tell them what to do and make sure they get everything right so there'll never be any diseases ever again.
Alan: Thanks, Jackie, great idea.

Not many 'management' books get much beyond this level of detail in their advice. Not through lack of sincerity or effort, but as Mintzberg, Williamson, Stiglitz and others, have elegantly observed in various ways, most times we simply don't (or can't) know enough of the detail to provide reliable prescription, because of the scale of

organisations we for the most part don't have the ability to capture enough of the relevant information required in order to be able to form a comprehensive view on what is going on. And even if the authors could, the need to convey this insight to others via a sufficiently short book to be readable is constraining. Clearly there is value in observing and copying others - one view is that this comparison and distillation/application cycle is a core component of standard competitive behaviour," (Lawrie, 2007).

Literature such as the *Harvard Business Review* stresses best practice and notions such as world class manufacturing. In fact, many organizations are not ambitious and may not want to compete directly with first class organizations, nor, if they are small, may they want to grow (an owner-manager might be in business for life style). Also much of the literature makes claims for organizational practice based largely on case studies of exceptional organization. The study of business and management is also about ordinary people and organizations and even in the most progressive of organizations, people need management ideas that are straightforward and easy to understand, and these are quite often the tried and trusted ideas. Also, if the business task is to satisfy a customer, then what is important is that 'good enough' will do. This is not to argue against the idea that suppliers should exceed their customer expectations, but rather that best practice must be relevant to practice and the contribution to value, and it should not be done for its own sake. Also rightness depends on a strategic context: for example, while a best practice might seem to require a high investment in new technology, it could be that an organization is particularly good at personal service and is known for the inter-personal; skills of its employees; in this case the adoption of new technology might be less important than say investment in developing people. Thus best practice for the situation at hand becomes contingent on the nature of an organization's strategic resources, which, by definition should be unique to the organization concerned (see the resource-based view).

BHAGs (big hairy audacious goal) (see strategic intent, vision)

black swans (see structural breaks)
Nassim Nicholas Taleb is the author of *The Black Swan* (2007). In 1698, Dutch explorers discovered black swans in a river inlet in what later became known as Western Australia. Before then, Europeans had no reasons to believe that swans were any colour but white. David Hume, the philosopher, used black swans to illustrate that no matter how many times something can be proved, it only takes a single event to prove it untrue. Taleb argued that black swan events apply to economies and that organizations ought to prepare for their possibility. He argued that black swans have three properties: based on previous knowledge their occurrence is very unlikely; when they happen they have a massive impact, and while people do not see them coming, afterwards everybody can see that they were likely

blue ocean strategy
The name of a book written by W. Chan Kim and Renee Mauborgne (2005), which contends that organizations should seek market space called 'blue ocean'. This is a part of a market that is uncontested and where the competition is weak. They introduced the 'value curve', a graphic depiction of how market rivals compare on value-creating attributes, such as price, delivery, quality, functional aspects. service,

and so on. A value curve is drawn for each rival, and in those parts of the market where rivals seem to offer little value an opportunity (or space) may exist for an organization to focus on the neglected attributes. An area of the market where rivals already compete on value-creating attributes is called red ocean, which contrasts with areas of the market where value-creating attributes are neglected, called blue ocean areas.

boards of directors (see corporate governance)
Boston Consulting Group Growth-Share Matrix (see strategic portfolio analysis)

bounded rationality (see emergent view of strategy)
Bounded rationality is the extent to which making a fully rational decision is limited by complexity, lack of time, and absent information. Herbert Simon wrote: *"Theories that incorporate constraints on the information-processing capabilities of the actor may be called theories of bounded rationality,"* (1972: 162). The idea first appeared in Simon (1947) in an attempt to bring a more realistic perspective to the notion of rationality in economic decision-making. Typically managers are unable to make completely rational decisions, because of the complexity of problems, time constraints, and because the necessary information is unavailable. All that a decision-maker can hope for is to be satisfied that a decision is sufficient to give a good enough result – part-combining satisfied with sufficient, he called this satisficing: *"The central concern of administrative theory is with the boundary between the rational and the non-rational aspects of human social behaviour. Administrative theory is peculiarly the theory of intended and bounded rationality – of the behaviour of human beings who satisfice because they do not have the wits to maximise,"* (Simon, 1976: xxviii).

The idea, anyway, that multitudinous individuals who make up an organization can be united around a coherent and effective rationality is doubtful: for example, *"General Motors has no mind that can be said to be unwaveringly focused on profit. It has no mind in which complete data resides and in which the necessary calculations are made. In fact, it has no mind at all,"* (cited in Whittington, 2001: 99).

BPR (see business process re-engineering)

brands (see corporate image)
A brand is a name or label that incorporates a visual design or image, which is associated with a product, service, or corporation, to differentiate it from others**.** Brands may be the name of an organization (a corporate identity) and relate to a group of products or services the organization offers (a generic brand), or it is the name of an individual product or service or a narrow range of relayed products and services (product brand). Conventionally the purpose of a brand is to assure consumers and customers that the product or service will be of the expected quality. In this sense the brand's reputation gives an intangible value beyond the intrinsic or functional value of the product or service bought.

Typically, advertising is used to position (usually unconsciously) an image associated with a product or service in the mind of the consumer. A company or organizational name can be positioned in a similar way as a corporate image. Brands may be associated with symbols such as logos or even with personalities whose image is used

to promote the product, service, or some other related activity. Where branding is effective offers can attract price premiums and strong customer loyalty; brand managers refer to a brand having a 'personality' and the importance of using this to build a (empathetic) relationship with customers over time. In lifestyle marketing consumers may identify with brand images and use the products and services they buy as status statements. Brands are important to global products and services where they signify a standardised offer and the same promise of benefits regardless of context. Companies may go to great lengths to ensure a brand retains its exclusivity and image: see Levi's attempts to stop Tesco selling its products in supermarkets at reduced prices (Tomkins, 2001a). Brand names can be very long-lasting, but there are many examples of new powerful brands. In some cases these have been applied to a long-standing basic product, to reposition it as 'different' from the product's original image, so that a low-price industry may become transformed (e.g. bottled water). Brand stretching is a term for when an existing brand is used to introduce a new (usually a variation of) an existing core product. The marketing company must be careful that new product does not eat into the existing product's sales. This is called cannibalisation and occurred when the new brand, Diet Coke, cut into the demand for the original brand, Coke.

Brands can be a major reason for M&A activity. Carlsberg's move to takeover Scottish & Newcastle reflects a desire to acquire brands such as Newcastle Brown, Fosters, and Strongbow cider; these would help to build up a global portfolio of brands for Carlsberg (Wiggens & Anderson, 2007). Although it is likely that minor brands in declining segments will be rationalised. The Indian-based Tata Group *is beginning to put a greater emphasis on moving up the value chain through branding. Mr Kumar* [a director of Tata Sons, the conglomerate's holding company] *sees building global brands as a natural evolutionary course. 'The Japanese started this way, so did the Korans, and there's really no reason to ask whether that trajectory is the right one – it's a strategic necessity for companies and countries as they evolve.'"* (Leahy, 2008).

Brands of packaged goods, such as those of Proctor & Gamble and Unilever, have shown sensitivity to the current recession. Private-label (or own-label) goods cost about a quarter less than branded ones, and retailers have been giving more space and better presentations to their own products on which they make better margins. Private-label goods may account for around 20% at Wal-Mart and 35% at Kroger, the two large US retailers. (Economist, 2009).

breakthrough change (see management of change)

breakthrough objectives (see hoshin kanri)
These are strategically-linked cross-functional objectives to which everybody contributes at a daily management level to advance a high priority organization-wide strategic objective. These are normally associated with the management of strategic change to achieve an organization's vision.

BRIC countries (see globalization)
An acronym standing for Brazil, Russia, India and China. First coined by Goldman Sachs (Wilson & Purushothaman, 2003), it is now often used as shorthand to refer to the importance of these countries to globalization. If extended to other relatively well-off

developing economies, such as Argentina, Indonesia, Malaysia, Mexico, Thailand, Turkey, and Iran, the group may be called rapidly emerging economies (REEs).

bricks & clicks (see Internet)
A bricks and clicks business strategy involves a combination of traditional business methods, typically involving the use of direct, face-to-face, dealings with customers, and the Internet, involving websites, email and other Internet methodologies (Spector, 2002).

broken windows theory (see CompStat)
"The theory [Wilson & Kelling, 1982] *holds that a seemingly minor matter like broken windows in abandoned buildings leads directly to a more serious deterioration of neighbourhoods....the idea...applies not only to crime but to every challenge a manager faces,"* (Giuliani, 2002: 47). In New York policing they used quality of life issues to help clean up more serious crime: these issues concerned small misdemeanours and petty crime, but when they are left unattended (because they seem unimportant) they add up to create a poor environment, which encourages more and often more serious crime; a vicious circle of decline sets in. William Bratton, when head of transit police in New York, cracked down on fare evasion (*"the biggest broken window in the transit system"* Bratton, 1998: 152): it had not seemed worthwhile before, since the cost in police time was high and the cost of a token was small, but it was discovered that many of the people arrested were causing other problems once inside the subway system. Later when he became Giuliani's police commissioner, he used *"civil law to enforce existing regulations against harassment, assault, menacing, disorderly conduct, and damaging property. We stepped up enforcement of the laws against public drunkenness and public urination, and arrested repeat violators, including those who threw empty bottles in the street or were involved in relatively minor damage to property...If you peed in the street, you were going to jail. We were going to fix the broken windows and prevent anyone from breaking them again. Time and time again, when cops interrupt someone drinking on the street or a gang of kids drinking on the corner, pat them down, and find a gun or a knife, they have prevented what would have happened two or three hours later when that same person, drunk, pulled out that gun or knife. We prevented the crime before it happened. New York City police would be about prevention..."* (Bratton, 1998: 229).

Giuliani argued that leaders should sweat the small stuff, because the seemingly less serious things are in fact part of the bigger picture and by solving these, leaders may be able to get on top of the big issues, such as serious crime.

budgets (see financial perspective, strategic control)
These are normally projections of future spending designed to control spending. However, they can be a serious impediment to (especially visionary) strategy, if budgets do not take a full account of an organization's strategic plan. *"Budgeting has traditionally been a central plank of most organizations' control mechanisms, as it is one of the few techniques capable of integrating the whole gamut of organizational activity into a single coherent summary. Performance is defined essentially as profitability; in a profit centre, the overall measure of performance combines an output measure (revenue) with an input measure (cost) and the budgeting process seeks to keep the two elements in balance...In order to develop a budget there is a*

need for an underlying plan by which the organization's objectives are expected to be achieved and which serves as the basis for the cost structure underlying the budget," (Otley, 1999: 370). Also, budgeting mechanisms should not command and control in terms of the minutiae of expenditure, but it is probably better for devolved decision-making to set broad guidelines as to the ways parts of the organization expect the money to be spend, and holding the budget holders to account after the event; this allows for more flexibility and freedom to devolve responsibility, saves times and communication problems, and reduces administrative costs.

In fact, the strategic resources (strategic assets) of an organization cannot be understood in terms of a budget or a balance sheet, but only in terms of the organizational structures and managerial processes. Much of the criticism of traditional budgeting comes from a system's perspective. *"Traditionally minded managers see the organizational world in parts. They put in place reporting and accounting procedures which account for, or report on, parts of the organization separately. The prevailing thinking would have it that if each part of a system performs as specified (to budget), then overall the system will perform as expected. It is assumed that looking at the parts gives us the means to manage the whole. Nothing could be further from the truth. It may be true that in many cases that the numbers add up to the intended budget, but managing in this way guarantees sub-optimisation,"* Seddon (2002: 13). Budgets are only rear-view mirrors and rarely state anything useful about the real performance of a business.

Mintzberg noted that *"Objectives, budgets, strategies, and programmes appear to be very different phenomena that do not link quite as conventionally as the planning literature has suggested,"* (1994: 69). These phenomena are hierarchies where the flow in them is top-down or bottom-up. Mintzberg points out that budgets are similar to objectives: *"in that they are integrated sets of (primarily financial) targets, decomposed according to units in the hierarchy...Like objectives, budgets may cascade down the structural hierarchy, aggregate up it, or flow both ways through a process of negotiation. Likewise, budgets are designed primarily for control (but perhaps less so for motivation) and tend to be applied to every subunit of the organization. And similarly, they tend to be established on a regular basis (e.g. annually) even if reviewed at more frequent intervals (e.g. monthly or quarterly),"* (1994: 72).

Budgets are likely to affect the strategy process. Using observations made by Wildavsky, Mintzberg (1994) concludes that budgets are *"the outcomes of the strategy formulation process...as Wildavsky put it, 'the budget records the outcome of struggle'* [Wildavsky was writing about national policy making]," (74). In fact a budget might be a prediction, a plan, a contract, or a precedent, noted Mintzberg, and quoting Wildavsky (1974: 1-4) directly: *"those who make a budget intend that there will be a direct connection between what is written in it and future events. Hence we might conceive of a budget as intended behaviour, as a prediction... The budget...becomes a link between financial resources and human behaviour to accomplish policy objectives...A budget* [may be] *characterised as a series of goals with price tags attached. Since funds are limited and have to be divided in one way or another, the budget becomes a mechanism for making choices among alternative expenditures. When the choices are coordinated so as to achieve desired goals, a budget may be called a plan... Viewed in another light, a budget may be regarded as*

a contract. Congress and the President promise to supply funds under specified conditions, and the agencies agree to spend them in ways that have been agreed upon...Once enacted, a budget becomes a precedent; the fact that something has been done once vastly increases the chances that it will be done again. Since only substantial departures from the previous year's budget are normally given intensive scrutiny, an item that remains unchanged will probably be carried along the following year as a-matter-of-course...the purposes of budgets are as varied as the purposes of men."

A major issue is how to link budgets to the development of plans. It is relatively easy to agree the means to achieve a strategy, but much harder to decide how to apportion a budget if this seems likely to leave some people worse off. This is probably one of the reasons why some organizations keep budgets separate from planning! Otley (*op cit.*) refers to *"planless budgets"*, where budget numbers are merely extrapolated from past experience. An alternative is to put a stress on strategy (and future requirements) rather than financial management; so, e.g. some businesses might use rolling forecasts that are continuously reviewed, a process that is facilitated by IT and made widely accessible to managers.

Kaplan & Norton (2001: ch. 11) maintain that systematic forces such as budgets can inhibit strategy implementation: *"We have found it useful to think of each of these processes – managing strategy and managing operations – as a self-contained control and learning loop. For managing operations, the budget serves as the planning and control system. It defines the resources that will be allocated to business operations for the subsequent year, and the performance targets. During the year, managers review operating performance against the budget, identify variances, and take corrective action when necessary. In most organizations, the budget bears little relation to the organization's strategy, so management attention and activities are directed at short-term operational details, not implementation of the long-term strategy,"* (273). They suggest two budgets: for operational purposes and to cover strategic requirements. The former should be managed through an activity-based budgeting process, while the strategic budget should be focused on new, discretionary funding, and the assignment of critical resources to new initiatives.

Bossidy & Charan (2002) recommend shortening the time given to budgeting activity, as at GE: *"The starting point* [in August] *is a robust dialogue among all the relevant business leaders, who sit down together to understand the whole corporate picture, including all of the relationships among its parts. We call this the principle of simultaneity. Almost all budget or operating plan exercises are done sequentially, bottom up and top down: the goals and general assumptions come from the top, and the businesses generate the particulars. But sequential budgeting misses the power of simultaneous dialogue, which generates insights on the totality of the business and links its moving parts into a whole. (232)...In budget and operating plan negotiations, there's an inherent conflict of interests. People bring assumptions to the negotiations through the lenses of their functions and their positions...In the standard budget review, they'll all negotiate from their assumptions and reach some sort of compromise...But what you really want to do is to get all of the assumptions out in the open, with everyone present and a leader who asks penetrating questions. Then you want to test those assumptions, by going to customers or some other source, to be sure they're valid. With this kind of information, the group can make intelligent*

trade-offs based on reality. That's what you do in an operating review…You need a range of assumptions – some negative, and a couple positive [to test the possibilities]…*People often put numbers together way too early…Start with ideas about what sales and earnings of each component will be (you can't develop the ideas and the numbers independently of each other), but keep in mind that these numbers will be at ten thousand feet. The plan shouldn't get granulated – exposed in detail – until all the thinking about the components is completed. We finalise our plan in November,"* (236-239).

Jack Welch, ex-GE CEO, argued that the budgeting system must be linked to strategic planning and focused on two questions: (1) How to beat last year's performance, and (2) what is the competition doing, and how to beat then. *"If you focus on these two questions, the budgeting process becomes a wide-ranging anything goes dialogue between the field and headquarters about opportunities and obstacles in the real world. Through these discussions, both sides of the table jointly come up with a growth scenario that is not negotiated or imposed and cannot really be called a budget at all. It is an* <u>operating plan</u> *for the next year, filled with aspiration, primarily directional, and containing numbers that are mutually understood to be targets, or put another way, numbers that could be called 'best efforts'. Unlike a conventional budget, with its numbers cast in concrete, an operating plan can change as conditions change. A division or business can have two or three operating plans over the course of a year, adjusted as needed through realistic dialogue about business challenges. Such flexibility frees an organization from the shackles of a budget document that has become irrelevant – or even downright dead – because of changing market conditions,"* (2005: 187-198).

bureaucratic organization (see structure, systems, process)
In 1751, de Gournay, a French government official, invented the term to mean 'government by desks', to criticise officials who neither understood nor cared about the consequences of their regulations and actions. It was taken up by Max Weber (1924), who described the organization that was centrally directed and administratively dependent upon polices and procedures, as an efficient form for administration. It is sometimes described as mechanistic or machine-like. Bureaucracy is based on a division of labour, compartmentalised skills and resources, and extended hierarchies. *"An efficient bureaucracy is built upon simple hierarchies of managers in which roles are clearly defined. The planning and monitoring functions of the efficient bureaucracy involve the setting of hierarchies of objectives in relation to controlling and developing the existing business and the allocation of authority and responsibilities for achieving them. Power in a bureaucracy is clearly derived from the rules, regulations and procedures of the organization. The focus is therefore on administrative rather than political activity, and communication is institutionalised rather than informal and spontaneous,"* (Stacey, 2000: 76).

Bureaucratic organization is most effective under environmental conditions that are straightforward and stable. It is also non-personal and makes management less subject to lapses in professionalism. Even so, it can still be open to inefficiency, especially where quick decisions are required and when a personal status of a position may be more important to a decision-maker than the task that the organization was set up to do. Nearly all organizations have some degree of bureaucratic control.

Sennett (2006) contrasts the 'bureaucratic pyramid' with the 'new flexible organization' of the 'new capitalism'. He argued these two forms have different needs of people. *"One vice of the old bureaucratic pyramid was its rigidity, its offices fixed, its people knowing what exactly what was expected of them. The virtue of the pyramid was, however, accumulation of knowledge about how to make the system work, which meant knowing when to make exceptions to the rules or contriving back-channel arrangements. As in armies, so in big civilian bureaucracies, knowing how to manipulate the system can become an art form. Often people who have the most institutional knowledge of this sort are low down the corporate hierarchy...complements informal trust; in time, as experience accumulates, the bureaucrat learns how to oil bureaucratic wheels. (69)…Cutting-edge firms and flexible organizations need people who can learn new skills rather than cling to old competences. The dynamic organization emphasises the ability to process and interpret changing bodies of information and practice... In work terms a person's human 'potential' consists in how capable he or she is in moving from problem to problem, subject to subject. The ability to move around in this way resembles the work of consultants, writ large,"* (115).

Sennett argued that this mobility puts an emphasis on a person's potential ability rather than their experience as a measure of talent. He noted that the flexible firm is an influential model for government, but argued this organizing form is inappropriate for public institutions, which seek to delivery security and well-being to citizens.

Bureaucracy is good at self-seeking beyond the purpose it was originally designed to fulfil. This is fuelled by functionally independent individuals, who claim to be following orders in an efficient (rational) manner within their own local authority; called cumulative rationalisation. If left unchecked by effective cross-functional management it is likely to distort the purpose of the organization to such an extent that the organization's actions may seem unethical to outsiders. *"Cross-functional management solves the problem of bureaucracy by redefining how organizations work. Top management no longer presumes to regulate the minute details of functional relationships. Instead, top management identifies issues that require cost-functional communication and cooperation, choose team members from the functions concerned, gives the teams power to inform and even override departmental decisions (within certain bounds),a charges the teams to act on behalf of the company as a whole,"* (Jackson, 1996: 12).

business activity monitoring (see strategic dashboard)

business ethics (see values, corporate social responsibility)
Business ethics are the universal morals that an organization works to. Ethics are important as a factor in the responsibility organizations have to wider society. Recent corporate scandals and (safety) disasters have highlighted many issues about how firms and organizations conduct their business and even the scope of their business. A key influence is how the increasing demand for natural resources has put a strain on the environment as economic growth accelerates, particularly in emerging markets. Water, oil and the atmosphere are all under severe constraints. Innovation, new regulation and greater (long-term based) efficiency are necessary.

The EFQM has described business ethics as *"the universal morals which the organization adopts and abides by,"* (1999). These can be stated formally as codes that give an explicit set of guidelines for employees to follow, or written as a value statement and articulated as purpose in relation to stakeholders such as society, or employees. In general, an industry's ethics are those commercial practices and behaviours that are recognised as essential to trust and continuing business relationships. Some organizations use ethics to drive corporate strategy: *"Activism has been part of the DNA of the Body Shop. The Company's campaigns against human rights abuses, in favour of animal and environmental protection and its commitment to challenge the stereotypes of beauty perpetuated by the cosmetics industry, have won the support of generations of consumers. The unique blend of product, passion and partnership that characterises the story of The Body Shop will continue to evolve. It is a shared vision. The company continues to lead the way for businesses to use their voice for social and environmental change"* (Body Shop, 2003).

business excellence models (see performance excellence)

business fundamentals (see Hoshin Planning, QCDE)
Business fundamentals is a term used by Hewlett-Packard in 'hoshin planning', the HP name for its form of hoshin kanri. These are daily management concerns expressed as QCDE objectives (in Japan they would be called control items). Hewlett-Packard uses a chart format to plan business fundamentals that is similar to the one used for hoshins. The list of QCDE objectives is limited (Soin, 1992: 88). However, at HP hoshin plans and business fundamentals plans are kept separate. The former concerned with only a very few objectives concerned with breakthrough objectives, and business fundamentals are about objectives for daily management and more incremental improvement. While the two are regarded as conceptually different and they are reviewed separately at different times, they are never considered in isolation to each other (Witcher & Butterworth, 2000a). There is some evidence from the USA that consultants have devised models based on HP experience. These link business fundamentals to mission and kaizen improvement; contrasting this with hoshin objectives which are linked to vision and breakthrough (in contrast to the more incremental kaizen): see for example, the web pages of Total Quality Engineering and their model for hoshin kanri. This dichotomy is also present in Bechtell's (1996) review of hoshin kanri in the USA. In fact, in practice this distinction is hard to maintain because kaizen and hoshin QCDE objectives are typically integrated together in daily management (see management of change) and are not directly linked to either a mission or a vision statement, although both are important considerations for the setting of hoshins and business fundamentals.

business-level strategy (see competitive strategy)
This is the organization's fundamental strategic choice of what approach to adopt to achieve its competitive advantage from the given options at the business unit level.

business model (see core business areas, Internet)
A business model involves the clarification of how the organization fundamentally manages its core business activities. A firm's or organization's business model refers to a summary of those features that describe the fundamentals of the business (similar to Peter Drucker's 'theory of the business'). It takes into account both the

assumptions (these might be similar to risk management statements) and the core processes (where 'core' means that they are central to the effective management of purpose, or the organization's fitness for purpose). Following Chesbrough & Rosenbloom (2002: 533-534), Teece (2007) argued that the function of a business model is to 'articulate' the value proposition, select the appropriate technologies and features, identify target market segments, define the structure of the value chain, and estimate the cost structure and profit potential. The model should therefore describe how the business works to create value for customers and makes money for investment and its stakeholders.

The term, business model, is often used in a lay sense to mean a firm's fundamental strategy. George Yip (2004) makes a distinction between 'strategy' and 'business model'. He suggested strategy relates to those dynamic activities used to change either a market or other position, while a business model is comprised of elements that make up a static position. He argued that most of the examples used by Porter and other strategy writers tend to describe static business models (e.g. Southwest Airlines and IKEA – companies that are enjoying a profitable market position). Yip & Delbridge *et al.* wrote that most strategy is routine, whereas real strategy is about making fundamental changes to this routine business model. "*In the end, either the model will run out of steam, or extending it will become too complex, or intensifying competition will mean that it can only provide the basis for tactical variants and temporary advantage. The challenge for strategists, therefore, is transformational: changing business models rather than strategy in the traditional sense; deciding when to do it, how to do it, and what ways business models may change,*" Delbridge *et al.* (2006: 56).

If, following Yip, strategy seeks to change the underlying business model, strategy then is primarily used to operationalise a vision to move an organization forward. A business model, on the other hand, articulates an organization's present mission. This being so, a strategy is concerned with longer-term change, while a business model is move about operational effectiveness (and incremental change) in the medium to shorter-term. For effective strategic management the two must be continuously managed as a combined approach (see explorative and exploitative learning).

Magretta (2002a) defined a business model as "*a set of assumptions about how an organization will perform by creating value for all the players on whom it depends, not just its customers. In essence, a business model is a theory that's continually being tested in the marketplace…The discipline of management operates from a theory of the business, from a model of how the whole system will work. Major decisions and initiatives all become tests of this model. Profits are important not only for their own sake, but also because they tell you whether your model is working…*[however]* want to emphasize…in the annals of business history, few of the creators of great business models actually set out, with analytic forethought, to develop anything as abstract as a model…*[but]* A good business model reflect[s] the systems thinking that is so central to management. (44-46)…*[a]* business model's great strength as a planning tool is that it focuses attention on how all the elements of the system fit into a working whole (90)…*[a]* business model isn't the same thing as a strategy, even many people use the terms interchangeably today. Business models describe, as a system, how the pieces of a business fit together. They don't factor in one critical dimension of performance: competition. Sooner or later – and is it usually sooner –*

every enterprise runs into competitors. Dealing with that reality is strategy's job. A competitive strategy explains how you will do better than your rivals...While Dell's direct business model laid out which value chain activities Dell would do (and which it wouldn't do), the company still had crucial strategic choices to make about which customers to serve what kinds of products and services to offer...Because a business model tells a good story, it can be used to get everyone aligned around the kind of value the company wants to create," (91-92).

Yip and Delbridge *et al.* illustrated the key features of easyGroup's business model:
- *"A clear value proposition. The 'easy' concept brings cheap and efficient services to the mass public.*
- *"Very simple inputs...operates only one type of aircraft, the Boeing 737, while the easyCar car fleet has just two or three car models.*
- *"A common, pervasive technology, the Internet. Most customers book online. The easyGroup companies pursue constant and common goals of cutting out unnecessary costs, bolting on the efficiencies of new technologies, maintaining very high customer satisfaction and creating strong brand awareness.*
- *"Simple outputs. All companies offer no-frills, stripped-down services.*
- *"Horizontal scope based on commonalities in low-cost, efficient service to mass-market customers, where Internet technology and 'easy' brand provide more relatedness than the actual services themselves: easyGroup diversified in 2002 into financial services with easyMoney, undercutting margins on credit card and unsecured loans.*
- *"A geographical scope that increases in opportunistic fashion: whenever established players with overpriced operations dominant markets, EasyGroup sees a niche. Originally established in London, easyInternet cafes now operate throughout Europe and in the US.*
- *"A common type of customer. Most eastGroup customers are young, urban and hip (or think of themselves that way), with more time than money.*
- *"Focused and lean organization under the charismatic, hands-on leadership of Haji-Iaonnou, a tireless marketer of his company's brands. The company achieves the winning combination of low costs with high quality by putting people at the top. With a low-cost model, there is very little left except people. The company has developed a learning and culture-building process that emphasises learning, innovation, and speaking up."* (Delbridge *et al.* 2006: 54-55; Yip, 2004).

The speed and flexibility of the Internet also allows the easyGroup to use dynamic pricing, when prices can be altered rapidly to match changes in the level of demand, with the best deals offered to advance bookers and off-peak users.

Two of the most cited examples of business model are Dell Computer and FedEx. Dell has a *"low-cost, high volume business model"* which is based on a direct, build-to-order, selling approach to customers (Morrison, 2001). While Hewlett-Packard's ex-CEO, Carly Fiorina, categorised Dell dismissively as a distribution channel (Farber, 2002), Dell has been widely cited as a 'business model innovation' that clearly differentiates the company from its competitors (Malhotra, 2001). The business model for FedEx is based on the idea that the fastest, cheapest way of delivering parcels is to fly them to a central hub, where they can be sorted, put on different aircraft and transported with others sharing similar destinations. Fred Smith, founder of FedEx, speaking of his 'hub-and-spokes model', noted *"I simply used a*

mathematical formula about how to connect a lot of points to a lot of other points...If you take [a single] *transaction out of the aggregate, it looks very inefficient...Take the aggregate out of all of them, rather than 9,900 couriers connecting 100 points,* [and] *you have 99. It's more efficient by a factor of 100,"* (Baer & Guerrera, 2007).

In fact, many of the examples used seem to be models that offer a mix of low prices and more convenience, and which simplify the distribution chain and minimise intermediaries. These offer products and services that are focussed on particular market segments, where the extra services offered by traditional suppliers had added little value. This may reflect a commoditization of some services. For example, Ryanair has shown that its customers value reliable transport at low process, and similarly, bank services have become much less of a customised service, and more product-oriented.

Another (more traditional) business model widely discussed is Marks & Spencer: *"M&S's business model has been much studied. The shops, owned outright and sited in the best high street locations, sold own-brand clothing and food to a very wide market of all ages and classes. The goods were manufactured by a group of loyal, UK-based suppliers over whom the company exercised minute control. There was no advertising and few frills – no changing rooms or third-party credit cards. Staff were well treated but tightly supervised. The emphasis was on good quality, continuous technical innovation and, above all, on value,"* (Martin, 2001a). This model has been called into question, as consumer affluence has resulted in market fragmentation and the supplier base has lost its competitiveness in relation to cheap foreign imports. Changes in the 1990s attracted criticism when many observers believed M&S had abandoned its status as the leading national quality retailer. In 1998 M&S made pre-tax profits of £1.2bn, but by late 2001 its profits had halved and its reputation was in tatters. During the boom years of the 1990s, when sales had been at record levels, customer and employee satisfaction metrics had indicated a steady decline. Many in the company were aware of this, but a tradition of never arguing with senior management, especially while profits remained at record levels, meant that the company had become complacent. M&S had drifted away from its core values and its business model; so that its strategic management had gradually begun to follow a sales-led growth oriented strategy by de-fault. In recent years it has moved back towards its original business model.

Teece (2007) argued that the design of business models is as fundamental as the development and adoption of physical technologies, since they depend upon each other for success. *"Business models implicate processes and incentives; their alignment with the physical technology is a much overlooked component of strategic management. The understanding of the institutional/organizational design issues is typically more limited than the understanding of the technologies themselves,"* (1327).

business policy (see corporate strategy)

business process (see business process management)
This is a sequence of (typically routine) tasks to deliver a business objective.

business process management (see process, lean production, TQM)

The breaking down of work into discrete parts so that it can be managed by a process team, where normally a customer can be identified for the output of the process to enable the design of the process and its management to be performed to that customer's satisfaction. The customer is usually internal and typically represents the next process in line (as in a quality or supply chain, see TQM). One important feature is that business processes do not belong, necessarily, to any single functional area, but that they are based around the achievement of tasks, such as the needs of customers. An important issue is how to identify business processes; usually this involves the identification of customers for who the work is being done, especially internal ones. This can be difficult where many customers exist or where interaction with them is constant, varied, ad hoc, and immediate, as for many types of service. In this instance, the role of one-stop, multi-skilled teams, is important and the design of the process is engineered around responsiveness or agility. Processes are typically identified by process mapping, which is a graphic depiction of activities such a flow chart (see quality tools). At a higher level organization-wide business processes should also be identified and managed by senior management; while these are essentially strategic, they should still be managed according to good process manage principles such as PDCA.

business process re-engineering (BPR) (see downsizing, lean working)
BPR is the re-designing of business processes. It is a term coined by Hammer (1990) and popularised by Hammer & Champy (1993): *"the use of IT to radically redesign business processes,"* (Hammer, 1990). It quickly came to mean a "radical or breakthrough change in a business process," (Dixon *et al*. 1994). The idea is to redesign a set of activities or processes, to make them more customer-responsive and leaner rather than oriented to functional needs. A management-led project team is established to ask basic questions about how organization should be structured if organization could be re-planned from scratch. Because BPR entails fundamental change, the potential gain has to be substantial and obvious to make it worthwhile. "[T]*he use of a business process approach should result in radical and step changes in the way that many companies are organised, managed and perform. This contrasts sharply with many previous methodological and cultural approaches that emphasize continuous and incremental improvements,"* (Tilley *et al*. 1994: 4).

The focus is on *"creating entirely new organizations by examining the basic functionality of a process and aggressively applying information technology,"* and it contrasts to Japanese practices where breakthrough change is achieved through hoshin kanri and lean working (Lillrank, 1995: 287). BPR can help eliminate internal overheads that are there to manage complexity brought on by specialisation. It also helps to reduce problems associated with inter-departmental working if it results in flatter organizational structure and more effective cross-functional and multi-skilled working. However, primarily because of its association with downsizing, BPR has attracted a lot of criticism, especially where it has diminished the influence of middle management and resulted in a loss of collective corporate memory (for a critical view, see Micklethwait & Wooldridge, 1997: ch. 1). Certainly BPR on a large scale is difficult and help from outside consultants is usually involved.

business strategy (see strategy)
business transformation (see business development)
buy-outs (see private equity frims)

cannibalization

This happens when an organization introduces new products or services which adversely affect the sales and profitability of its existing offers. Typically this happens when technology is changing, and the organization must continue to bring out new products to maintain its competitive position. For example, Intel moved from producing memory chips to favour new products based on integrated circuits. It may be difficult to introduce radically new products and services if at the same time the organization is unwilling to cull its existing offers and change its ways of doing business. IBM was slow to understand the mass market for computing and its share of the PC market declined as new competitors like Dell came to the fore.

capability review (see top executive audits, performance excellence model)

This is a form of strategic review at the daily management level, by senior managers to audit how the different parts of the organization manage the core areas of the business, for example, in using core competences.

capabilities (see the resource-based view)

carbon credits

One carbon credit equals one tonne of carbon emissions. Governments and their agencies determine levels of carbon usage for local companies and organizations. If a company achieves levels of emissions below its allocation, then the shortfall can be traded as credits to companies that are likely to exceed their allocations. Thus greenhouse gases are capped and markets are used to allocate emissions allowances. The quality of the credit (the reliability of the measures of emissions) must be validated by a sponsor (another organization or regulatory authority) and this will affect the value of the price of the credit. The scheme was formalised in the Kyoto Protocol, an international agreement (due to expire in 2012), which agreed caps or quotas on the maximum amount of greenhouse gases for more than 170 countries, and forms the basis for the United Nations' carbon trading system. The approach gives incentives to reduce emissions, but it also builds into the system a degree of flexibility.

cascading objectives (see MbO)

case study research (for theory building) (see theory)

Case study research is typically used to induce theory from empirical data (Glaser & Strauss, 1967; Yin, 1984) and Miles & Huberman, 1984). An initial definition of the research question in at least broad terms is necessary to avoid an over-whelming volume of data. Also a priori specification of constructs (with some explicit measurement of these) can be valuable (especially for triangularisation purposes) if these prove important as the study progresses. However, investigators should avoid thinking about specific relationships between variables and theories as much as possible, especially at the outset of the process. Theories from cases are ones about specific phenomena and are thus modest. They can still be testable, novel, and empirically valid, but they lack the sweep of grand theory, which perhaps requires an accumulation of both theory-building and theory-testing empirical studies.

"How should theory-building research using case studies be evaluated? To begin, there is no generally accepted set of guidelines for the assessment of this type of research...Assessment turns on whether the concepts, framework, or propositions that emerge from the process are 'good theory'...[following Pfeffer, 1982] *a good strong theory building study yields good theory (that is, parsimonious, testable, and logically coherent theory) which emerges at the end, not the beginning of the study...the strength of the method and evidence grounding the theory,"* (Eisenhardt (1989: 548). This requires good reporting that gives a reader the confidence to see clearly how the emergent theory fits with the evidence, and finally, *"strong theory-building research should result in new insights. Theory building which simply replicates past theory is, at best, a modest contribution. Replication is appropriate in theory-testing research, but in theory building research, the goal is new theory. Thus, a strong theory-breaking study presents new, perhaps frame breaking, insights...It is particularly well-suited to new research areas or research areas for which existing theory seems inadequate,"* (548-549).

catastrophe theory (see systems thinking)

catchball (see hoshin kanri, nemawashi)
Catchball is the agreement of draft plans between affected parties. It is a participative approach for making decisions and reaching agreements in planning in hoshin kanri. It is used to communicate and build consensus across management levels when developing hoshin objectives and action plans. Attention is centred upon the means or processes used to achieve the hoshin objectives. The analogy of tossing a ball back and forth emphasizes the interactive nature of catchball. Ideas generated at one level are passed up and down to people at other levels, so that those receiving the idea 'catch it', modify it so that it is relevant to the work done at their level, and pass it along to another level. The activity generally improves communication, participation in developing ideas, and the chances of implementation succeeding are improved because people at all levels have helped shaped the ideas so that they are likely to work in their environments.

Catchball is a fact sharing activity to clarify <u>how</u> a hoshin plan can be achieved.
Thus, an individual or team B accepts A's draft plan but only if C can do 'X'.
C cannot do 'X' but offers to do 'Y' instead.
B seeks to modify the agreement with A, so that the knock-on requirement with C is now 'Z', and not 'Y'.
C accepts 'Z' and the needs of all three are agreed.
In practice there are many iterations and talks go on in parallel.

Its essence is informality. However, in western hoshin kanri the activity is assisted by time-tabling key meetings and the use of documents - such as publications to brief and explain the hoshins, standardised formats for hoshin plans, and summary sheets that outline responsibilities (it is essential that individuals take responsibility for review, e.g.), and incidence of resource use (the most formal documentation is used at Hewlett-Packard, see hoshin planning). A key thing is that the development of objectives and means (action plans) must take account of functional plans and be aligned with management systems, including budgets and any appraisal system. Akao (1991b) writing about Japanese practice suggested that department heads could use a target-means relationship matrix for catchball (see QFD).

Good catchball depends upon limiting the number of hoshins to a very small number. This simplifies and limits the number of interactions, especially at lower levels of management. Otherwise the number of interactions and sub-objectives/means can mushroom out of control. Texas Instruments in the late 1990s limited the number of hoshin related objectives to three at every operational unit level, and sub-objectives derived from these were in turn limited to three for any level of deployment. The layers of deployment should also be as few as possible. *"The best way to get good cascading of plans, which are compact and concise, is to stipulate only a few layers of hoshin plans in an organization – say, two or three,"* (Soin, 1992: 71). Catchball may work most effectively for flat structures. There is evidence from the UK that catchball starts as a draft set of policy-derived objectives which are developed by senior managers at a business unit level (Witcher & Butterworth, 2001). The ambience at this level will effect how policies are translated and developed lower down. Open discussion is important. Masao Nemoto (1987) when still President of Toyoda Gosei comments: *"I make the practice of consulting with my subordinates on all important matters affecting the future of the company. I may set certain goals and general outlines, but I know full well that it is my subordinates who must implement the annual policy, thus their cultivation of 'everyone speaks' attitude becomes critically important. The atmosphere of our sessions is congenial to discussion, and no session goes by without producing many amendments. Here are some examples: 'To reach that particular goal, don't you think we must consider X and Y also?' and 'It takes a little longer to implement the second item. Can we wait a little longer before we undertake it?' When everyone's idea is carefully considered before reaching a decision, momentum is created to promote the implementation of our goal. When we reach that stage, I do not worry about the details,"* (7).

Discussion of the hoshin can extend to lower levels of management, but most managers and other employees are typically brought in when the overall hoshin objectives and means have been more or less decided by senior management. After this catchball turns into a deployment process involving more people, where an emphasis is placed on determining the cross-functional strategies and means to achieve the objectives. Finally the details of the means are specified in terms of required tasks, which are usually done at a functional level and operational level. Thus there is a three-stage communication activity: (1) the development of objectives, (2) their deployment and development as strategies and means, (3) a detailing of activities, which are finally summarised in an implementation plan. The exact nature, however, varies between organizations, depending upon the fluidity of cross-functionality, the quality and sufficiency of personal relationships, and the degree of sophistication in self-directed management and team working.

Catchball seems to an outsider to resemble MbO, but as Cowley & Domb (1997) state, *"catchball is the biggest difference between hoshin kanri and MbO. In hoshin kanri the planning process is not complete until the objectives <u>and</u> all strategies and means are agreed to and are thought to be consistent. Effective catchball requires both clarity of organizational capability, and recognition of where the current capability isn't sufficient and improvements are needed,"* (99). This clarification is typically performed first at a senior management level at a focus (see FAIR) stage prior to the alignment and deployment of objectives and plans.

The role of TQM and the use of quality tools for generating appropriate strategies and means is important (Soin, 1992: 70). TQM helps people problem solve in a way that limits the number of strategies/means to manageable proportions, and helps to ensure that people's contributions will have the most impact, given the available resources. However, the degree to which catchball is managed overall as an integrated company-wide business process by senior management is problematic. UEA research found little of substance in examples of UK practice to suggest that catchball activity is managed in ways which ensure full participation.

While most of the literature and the UK research suggest that hoshin kanri is an annual strategy implementation and execution approach, in Japan catchball may only be one facet of a wider (nationally) culture-specific way of working, called nemawashi, which pervades every level of the organization. Catchball was first described in the West by King (1989), as organization-wide communication that goes up, down, and horizontally, and which *must sometimes go from person to person several times to be clearly understood.* However, there is no explicit reference to it as a stage in hoshin kanri by the Japanese writers in the seminal text about hoshin kanri by Akao (1991a). Only Watson (1991) in the book's introduction refers explicitly to catchball; in another book Watson (1993) used the term more widely as an approach to agree long-term vision, which he calls visioning. Akao (1991b) refers to 'promotion' rather than catchball. King (1989) used the word first to mean organization-wide communication, which sometimes goes from person to person several times, before it is clearly understood. Catchball works well in many western organizations and Schneiderman (1999) offered it as a way to reach agreement over the disaggregation and downward deployment of balanced scorecards. Tennant & Roberts (2001) discussed its use to derive medium-term objectives (milestones) for quality at Rover.

causal ambiguity (see benchmarking)
cause-and-effect (see balanced scorecard, root cause analysis, quality tools)

centralisation (see corporate parenting, structure, BPR, global-level strategy)
The balance between functions and the devolvement of strategic decision-taking across M-form organization varies. Organizational units are given considerable autonomy when strategic decisions must be made rapidly, but units have to be connected to corporate activities that have to be coordinated. Simon (2002) called this 'near decomposability'. Some large companies have a central strategy function to manage this relationship, headed by a CSO. One of these is Annabel Spring, managing director and head of Morgan Stanley's strategy and execution group (1994-present). She explains that her group's *"role is to get feedback from the business units. Overlay the global trends, and make sure that everybody has identified the right issues. We then prioritize the opportunities across the business units and provide a strategic element for that prioritization. Feedback from the business units is also critical for maintaining that entrepreneurial edge. Morgan Stanley is so specialized and yet complex and global, which is hard to balance…When the market is growing, it's easier to see the big picture, sit back, and prioritise across opportunities. In a market downturn, it is very much a tighter, hand-holding role with the business units, and a much more operational one,"* (Dye, 2008).

BP and its larger ExxonMobil rival differ in the degree of how they organise operational procedures strategically. After a series of operating disasters BP is to introduce a fundamental change in the way it operates to counter the view among investors that the company has a systemic operating problem. The BP revamp is expected to take five to ten years. BP's existing culture was designed to be the most efficient cost-cutter in the industry. This may have influenced safety and maintenance and has probably contributed to a skill shortages within the company. The acquisition of Arco and Amoco complicated this. BP improved Amoco's safety record, but BP admits it failed to fully integrate different safety systems. Plants still use a range of procedures, entrenched by local custom and practice. A gap may have emerged between the corporate centre, which tries to establish clear business principles, and local management, which is focused on day-to-day operational performance. To be able to catch up with ExxonMobil BP must change its entire structure, not just its safety system. Executives must now focus on centralising BP's operations.

"BP's organised structure is comprised of numerous business units, surrounding assets or profit centres, versus the more old school style of ExxonMobil, which has a few giant functions run centrally. A more centralised organization structure may help the top management of BP to have greater control on the organization as they strengthen procedures...According to one senior executive of a big European energy group, ExxonMobil is the only major oil company with the operating structure that allows it to face the new challenge of taking on huge, technologically challenging projects at a time when oil rich countries are increasingly shutting the doors to their oil and gas fields to foreigners. Exxon's success was born from bitter experience [the Exxon Valdez tanker oil spill in Alaska, 1989]. *The company eventually overhauled its approach to safety, centralised its businesses, added checks and balances and created an internal communications system that improved everything from financial prudence to physical caution to technological innovation. Based on the approach taken by Dow Chemical, the company structure is now the same around the world so that employees do not have to relearn Exxon's policies and procedures every time they move. It also allows problems to be communicated throughout the company so that others can help, or at least learn from them. Mark Albers, president of ExxonMobil Development Company, who oversees all of Exxon's new production and development projects, says the centralised structure is key to its success. From concept to production, all of Exxon's big projects are managed from Houston. 'In terms of the management and service that we provide to each of our affiliates, it's all done in one location, which means we can provide the same world-class service to an affiliate in Angola as in Sakhalin, as in Qatar. And people are literally just down the hall from people who worked on a similar issue on a project somewhere else down the globe, so the information transfer and the beast practice transfer is immediate,' he says. He points out that projects Exxon operates are within 3% of the unit costs expected at the time of funding and the company finishes its projects about 5% more quickly than it forecasts,"* (Hoyos, 2006).

According to an annual survey of the world's most admired companies, large multi-national companies are more focused on managing from the centre than on local initiatives (HayGroup, 2006). *"Companies that are most admired for their globalness are more focused on enterprise-wide objectives than on local initiatives and do a better job managing from the centre. 90% of the global leaders say they*

have succeeded in aligning their subsidiaries around a common strategic vision, compared with 78% of the peer group. And 87% of the global leaders say their performance management systems are adequately focused on enterprise-wide objectives, compared with only 63% of the peer group. This basic simplicity does not come easily,' says HayGroup VP Mel Stark. 'Companies commit significant resources to developing clarity around complex roles and decision-making processes.'...more likely to develop new practices centrally and diffuse them to subsidiaries...tend to centralise compensation policies, keeping pay and incentives consistent from country to country...more frequent use of expatriates to manage overseas business...having headquarters control the movement of top managers is good for all divisions...foreign experience is a prerequisite for top management candidates...90% of global leaders say they have succeeded in building one [corporate culture] *across all their divisions, compared with only 71% of the peer group...Stuart Levenick, president...'We* [Caterpillar] *evaluate and measure performance the same way around the world'...Things that look centralised actually allow for local empowerment...enterprise-level objectives give overseas managers clear performance targets, which provide space for creativity and flexibility at the local level... 'If you have organizational discipline, then the structure and processes and standards are not there to bother leaders but rather to give freedom,' says Novartis's* [CEO, Daniel] *Vasella, 'Freedom is only meaningful within boundaries'."* (HayGroup, 2006: 4-5).

"Corporations appear to build most major capabilities in international markets through globalization. It is possible for the integrated global firm to find component and architectural capabilities in foreign locations that would otherwise not be available to the firm and then them into the broader set of corporate skills. As Nohria & Ghoshal [1997] *observe 'a key advantage of the multi-national arises from its ability to create new value through the accumulation, transfer, and integration of different kinds of knowledge, resources and capabilities across its dispersed organizational units',"* (Tallman & Fladmoe-Lindquist, 2002: 131).

"The distributed nature of the firm tends to create ambiguity of strategic purpose and activity, since different groups may have different interests and represent the appropriate goals and activities of the firm differently...The organizations' challenge generally, and top management's challenge specifically, is to convince other actors to behave as if there is a shared social system into which they wish to contribute their own actions as part of a larger collective stream of activity...The coordination of activity within organizations has long been a topic of organization theory (e.g. Chandler, 1962; March & Simon, 1958; Mintzberg, 1979). Hence there is a significant body of literature on the structural mechanisms of motivation and control, based on transactions that stimulate actors to exchange contributions to the organization in return for perceived rewards (e.g...Williamson, 1996). Other literature examines coordination from a social interdependence perspective, generating collective action through shared purpose, socialisation and shared meanings (e.g. Bernard, 1938; Daft & Weick, 1984; Ouchi, 1979)," (Jarzabkowski, 2005: 27-28).

CEO (chief executive officer) (see senior management)
Executives typically sit on an organization's board of directors, but also are actively involved with executing policy and corporate strategy. The CEO is the person in

overall executive charge of the organization (usually a corporation) and who is responsible for its day to day management and reports to the board of directors. A CEO may hold a title such as an executive president or a managing director (MD), although usually a MD is in charge of a major business entity, such as a corporate company, or business division. A MD is different from a general manager, which is a post associated with an operational unit or a part of the operational unit.

challenges (see strategic intent, cross-functional structure)
These are typically strategic programmes expressed in terms of stretch or/and QCDE objectives. For example, a challenge might be to become an important customer's premier supplier. In a Japanese organization the challenge might be formalised as a medium-term plan; this is written down as a set of three year QCDE (set as milestones to achieve longer-term) objectives. These are used for annual planning to set incremental QCDE objectives that are typically used to drive kaizen. Hamel & Prahalad (1989) explain 'challenges' as important shorter-term programmes for achieving long-term strategic intent.

change (see inside-out, outside-in; management of change, strategic change)
The origins of change are often thought about as coming from the external environment (outside-in), but they may also originate inside the organization (inside-out). Whether change is small or large, nothing ever remains quite the same.

chaos theory (see systems thinking)

chief strategy officer (CSO) (see CEO)
Chief executives are in overall charge and so are ultimately responsible for strategic decisions, but the job of a chief strategy officer (CSO) is to craft and implement strategies. The actual job title of a CSO varies; in a large American corporation they are typically termed 'vice presidents of corporate strategy'. *"CSOs grapple the challenge of balancing short- and long-term goals: handling the multifaceted demands of an increasingly global business environment, they strive to focus on growth without losing sight of productivity...a closer relationship with the CEO is vital for instigating change,"* (Dye, 2008). J. F. Van Kerckhove is vice president of corporate strategy at eBay (2007-present); he noted *"The CEO is the ultimate owner of corporate strategy. A good strategy process finds the right balance between top-down and bottom-up engagement in developing strategy, building on the collective wisdom, and exposing its main assumptions. While the formulation of strategy often goes through specific planning milestones, its development is on-going – at times explicit and at times not. The CSO plays an important role in helping to coordinate and inject knowledge in the more formal strategy process, as well as fostering an environment for more spontaneous strategy creations. The latter often finds its roots in a close collaboration with the business units or field operations at the forefront of experimentation and learning. In a fast-paced industry like ours, the ability to rapidly learn from the field is a true competitive advantage,"* (Dye *op cit*.).

China (see global-level strategy, commoditisation)
Will there be any manufacturing jobs (etcetera) left in the West? According to Jack Welch (2005), there is no easy answer to the China question. China has problems: scarcity of middle managers, massive number of poor farming families moving into unprepared cities with insufficient jobs to support them, bureaucratic state-owned

enterprises, and the bank's saddled with bad loans. How increasing prosperity from spectacular economic growth over the past 20 years has given the Chinese enormous self-confidence. It also has a massive pool of low-cost, hardworking labourers and rapidly expanding number of well-educated engineers. It has a good work ethic; "*entrepreneurship and competition are baked into the Chinese culture*," (341). However, it's not that the developed economies are in a shambles; they have large consumer and industrial markets, with great brands and distribution mechanisms; the economies are open and have mature legal systems; they are in transparent societies, with democratic governments, have good education and social systems. Its businesses have fully developed management processes. There is a large venture capital market with the capability to provide seed capital for almost any good idea. Low cost competitors are not new.

Three responses are required: "*First and most obvious, bring out the three old warhorses of competition - cost, quality, and service – and drive them to new levels, making every person in the organization see them what they are, a matter of survival.* (Welch, 2005: 342). *Hard calls need to be made about where and how every single process should be performed to ratchet up productivity. Don't think about reducing costs by 5 to 10%. You have to find the ways to take out 30 to 40%. In most cases, that's what it will take to be competitive in the Chinese world. On quality, you just can't have a ship-and-fix mentality. Getting it right 95% of the time is not good enough. Use six sigma or any methodology you like. But get rid of defects. Service is the easiest advantage to exploit. China is thousands of miles away from most developed markets…proximity…gives a huge advantage in response time. Again, your challenge is not just to improve. It is to break the service paradigm in your industry or market so that customers aren't just satisfied, they're so shocked that they tell strangers on the street how good you are…While you have to innovate to improve cost, quality, and service, go beyond that. Take a new, hard look at your market. Search out new untapped opportunities; find new niches. Just don't keep pounding out the same stuff* (342-343) *…while you are innovating and searching…come to terms with the fact that China can be much more than a competitor. Think of China as a market, an outsourcing option, and a potential partner…China's huge market is relatively open to direct investment. Many can go it alone there, ideally selling their product in the Chinese market while sourcing product for their home market. Alternatively, you can join forces with a local business. Needless to say, Chinese joint ventures aren't easy. In my experience, to make then happen you have to make sure the Chinese partner feels as if it has gained a lot, perhaps more than you. But there are ways to craft win-win deals. When GE Medical formed a joint venture in 1991, its Chinese partner brought great local market know-how. That was a big factor in the new company's achieving the No. 1 market share in imported high-end imaging products. At the same time, the joint venture's Chinese engineers designed and built low-cost, high-quality products that were exported through GE's global distribution network,*" (Welch, 2005: 344-345).

co-opetition (see platforms, strategic alliances)
Co-opetition is when competing organizations also cooperate with each other: for example, cartels and strategic groups may work together to create barriers to new or outside competition, or organizations may establish partnerships and joint ventures, especially to manage knowledge. Adam Brandenburger and Barry Nalebuff (1996) published a text called *Co-opetition,* which is largely a text that takes its inspiration

from the so-called 'new economy', and its conceptual ideas from game theory (by analysing the a competitor's responses, it may be possible to see how co-opetition could work in the best interests of co-operating competitors). The term is associated with Ray Noorda, the founder of Novell, and has been taken up in the IT industry. Strategically, the idea is that strategy should take into account an organization's network of customers, suppliers, and competitors, to identify those producers and services that enhance the value of the organization's own products and services. These are called complementors and it parallels the idea of internal complementarities.

So, for example, software products are complementors to hardware products and services, and vice versa. Much of this thinking is associated with (see) 'platforms'. The new economy offers a change in strategy thinking from a 'brick and mortar' approach to an emphasis on new alliances, and how resources and knowledge should flow in the inter-organizational networks (Gnyawali & Madhavan, 2001). Such moves could serve to build up new industries in ways that serve the interests of existing players. Organizations need to identify the competitive organizations that are able and willing to collaborate to increase mutual value. They need to determine how possible relationships may be complementary and how they can sustain their competitive advantage. Porter (2001) has argued that there is nothing new in much of this thinking about the new economy, which can be accommodated by existing models of strategy analysis, such the five competitive forces framework.

command & control (see scientific management)
This is a term for prescriptive management where a hierarchy is used to instruct and control middle management, which in turn instructs lower-level subordinates; systems, supervision and inspections are important components. Most of the management literature implies that new and progressive methods of management require less command and control. However, less systemised and more informal approaches can still feel restricting to employees; for example, an individual may feel pressured by group expectations in a team, or in a more open and visual way of working it may seem that surveillance has simply become more socially embedded. Simons (1995b) pointed out that sanctions are typically the principal means of enforcement for strategic boundaries. He gives an example that shows how Harold Geneen, the fabled CEO of General Electric, how he enforced his decision to stop dissipating resources on general purpose computer projects. *"Others continued to work on computer development for us on the sly. When I learned of this, I hired two very competent engineers and gave them a special assignment which lasted for several years; to roam at will through all our worldwide engineering and new products laboratories and to root out, stamp out, and stop all incipient general-purpose computer projects by whatever code name they were called and if they were given any trouble, to call us at headquarters and we would stamp them out for them,"* (Geneen, 1984: 220). It sounds as if there were limits to any belief Geneen had in emergent strategy.

commoditisation (also see globalization, global-level strategy, productivity)
Commoditization is the transfer of unsophisticated production and service units from advanced economies to developing countries where the cost of labour is low. Undifferentiated products and services compete against each other on volume production, economies of scale, and low price. It has been suggested that mobile

phones could become a commodity business if prices fall as technology continues to lower costs and competition is intense. Commoditisation makes it difficult for companies to control margins so they may adopt strategies that enable them to concentrate on differentiation. Vodafone regards new technologies such as the third-generation mobile format (3G) *"as levers to extract more money from existing premium customers, rather than a gateway to huge new sales,"* (Burt, 2002b). In recent times some UK companies have attempted to move away from markets where commoditisation made competition difficult. In 1993 ICI decided to focus on the speciality chemicals market to become less reliant on exporting bulk chemicals from the UK. It de-merged a large part of its bulk chemical business to Zeneca Pharmaceuticals, followed this up by an acquisition of Unilever's speciality chemicals business for £4.9bn in 1997, and made sales of other bulk industrial chemical businesses to its old rival, DuPont. Competition in bulk chemicals depends on price and delivery, whereas sales of speciality chemicals depend more on designing chemicals to perform the differentiated specifications of customers. Often there is a service and customising aspect that adds value to the basic product.

Commoditisation is a reason for de-industrialisation, when advanced economies move to value-added products and services, and away from assembly, high labour utility production. Many corporations adopt strategies to favour of added value based on knowledge creation. Commenting on recent problems, Nobuyuki Idei, Sony's CEO, is reported saying: *"The roots of Sony's problems lay in technological advances and changes in human behaviour…The industry was changing from one based on assembling parts to one that depended more on software and microprocessors, and where intellectual property was crucial. To meet that challenge, Sony will further transform itself from a labour-intensive structure to a knowledge-based manufacturing company,"* (Nakamoto, 2003b).

common language (see quality tools, objectives)
Kaplan & Norton refer to measurement as a common language, but in fact measurement can mean all sorts of things, especially if specialists are involved. What is important is that everybody in a given organization ought to be generally approaching the management of tasks in the same way. So such concepts as objectives, measures, defined across the organization in the same consistent manner. This is important for process management, where organizational members will be familiar with common forms of review, problem solving, and the tools used for managing work. This is one of the major advantages of using an organization-wide management approach such as TQM. Antarkar & Cobbold argued that a *"standardised vocabulary",* which covers definitions, a standardised design process and review cycle, should be used for the balanced scorecard, which they distinguish from *"standard content",* such as standard objectives and measures, which they argued *"risks diminishing the local relevance* [of the scorecard]*"* (2001: 2).

communication (see nemawashi)
A word loved by senior management, while often regarded suspiciously by the ordinary employee. It is problematic to what extent people working in an organizational hierarchy can really understand each other without suspecting hidden agendas. It is generally believed that effective communication is facilitated by an organizational culture that is collaborative; when people practice two-way communication (listen and respond), and learn over time to trust each other through

mutual experience and understanding. Especially dangerous are management exhortations or demands to do things, rallying cries for action that seem to be directed one way, and management inconsistency. These things will encourage employees to be passive and reactive, not proactive and interactive. Making it clear why as well as what has to be done is important; general statements, such as explanations of corporate strategy, vision and mission, are often insufficient to make 'relevancy' clear in the context of daily management, for instance. The language of explanation itself may be the wrong kind to produce understanding. Understanding is typically based on a shared experience produced through the ways managers and subordinates are involved in work together. Management must make sure that people are truly involved in a two-way communication process. This requires reflection and the management of frameworks or processes that explicitly take into account communications. Quinn (1980) argued that planning process *"forced managers to communicate systematically about strategic issues,"* (140). Frameworks such as strategic planning might provide this, and tools, such as the balanced scorecard, all help to facilitate organizational-wide communicative involvement and understanding. Communication may be a primary reason for strategic planning (see Mintzberg, 1994: 352). The widespread adoption of company-wide intranets and email has to some extent made documentation, manuals, procedures, and explanations of strategy, more directly immediate and user-friendly. Reference information can be continually updated and used to support cross-functional working and informal activity such as networking. (Communication is sometimes considered a core concept for theoretical explanations of management and organization and a distinction is made between it, and information - the content of communication.)

communities of practice (see learning)
Communities of practice are organizational networks or natural communities of mutual interest, which tend to emerge spontaneously, especially as digital networks and in technological and scientific areas (Lave, 1988; Brown & Duguid, 1990; Wenger, 1998), *"and which stresses knowledge cannot be isolated from practice. As Brown & Duguid (1990: 48) observe, 'learners do not receive or even construct abstract, 'objective' individual knowledge; rather, they learn to function in a community – be it a community of nuclear physicists, cabinet makers, high school classmates (or) street-corner society'. They acquire that particular community's subjective viewpoint and learn to speak its language. Therefore, as Brown & Duguid (1990: 49-50) note, 'learning is fostered by fostering access to and membership of the target community-of-practice',"* Dosi & Malerba (1996: 36). The act of participation (and socialization) creates and sustains the identity of the person as a material thing (see the postmodern concept of reification). Such communities may be well-suited to deal with discontinuities in their environment. In this case, the importance of a firm's ability to identify and engage in the relevant (and emerging) communities of practice is vital for effective strategic management. It is likely that these communities extend and are influenced beyond a firm's boundaries, and may involve networks of learning.

competitive advantage (see competitive strategy, value chain)
Competitive advantage concerns the reasons for an organization's ability to compete effectively with its rivals or potential rivals. It is the significant advantage an organization has over its competitors so that it is able to add more value for its customers than its competitors can/could do. For nearly every organization, whether

it is profit maximising or not, there is nearly always an alternative for its customers, clients, and members (taking no action is an alternative). In his text, *Competitive Advantage*, where the notion of the value chain was introduced, Porter asserted that competitive advantage *"grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: cost leadership and differentiation,"* (1985: 3). Porter maintains these are mutually exclusive, because the forces of competitive will ultimately force an organization to favour one or the other. *"If you have the opportunity to be both, then take it…*[but] *must remember that the forces of competition are going ultimately to make you choose…*[Jaguar succeeded, Austin-Rover failed]*…If you don't know which is your principal source of advantage, you're going to be vulnerable to the focused competitor…*[the Japanese had followed a cost-led strategy]. *Neither they* [Toyota] *nor the other* [Japanese] *auto companies tried to differentiate in the sense of charging a premium price for unique features. They were fundamentally trying to price below the competition,"* (Porter, 1987). The Japanese, however, were not only successful at lowering costs (and prices) but also raised quality at the same time. Porter (1996) argued the Japanese competitive advantage was not based on real strategy, but upon operational effectiveness, which will be emulated by rivals so that the competitive advantage will decline over the longer-term.

competitive advantage of nations (see global-level strategy)

competitive (five) forces (see competitive strategy)
These are the forces (or major impact factors) of the industry that affect the level of competition and management of strategy.

competitive strategy (see competitive advanatge)
Competitive strategy, in the view of Michael Porter, is about how competitive advantage is sustainable. This requires a close assessment of the impacts of the external environment, especially of an organization's industry. It is sometimes called competitive positioning, as its basic idea is that organizations achieve competitive advantage through the way they position their activities in their competitive environment.

Competitive Strategy is the name of Michael Porter's (1980) first book written largely from the perspective of industrial economics. He introduced the five-force model (sometimes called industry analysis) and generic strategy. These ideas contrasted markedly to strategic portfolio analysis, which had emphasized a balance of business interests for diversified corporations. Generic strategy is more appropriate to the single enterprise, such as a SBU which is organised around the needs of a single industry or market.

The five competitive forces model considers the structure of an industry in terms of its main players (competitors, buyers, suppliers, substitutes, and new entrants), their interrelationships (the five forces), and the factors behind those five forces.
- The threat of new entrants
- The threat of substitutes

- The bargaining power of buyers
- The bargaining power of suppliers
- The <u>intensity</u> of rivalry among existing competitors (influenced by the other four)

Taken together these things primarily determine an industry's attractiveness: it helps answer basic questions about an organization's ability to compete, the likelihood of new entrants, and the ability of rivals to copy strategy, and the likely profit potential. The five forces influence prices, costs, investment requirements, and determine long-term profitability. The aim is to position an organization and its activities in terms of these forces so that what the organization offers its customers is different and cannot be imitated by rivals or prospective rivals. This reduces the intensity of competition for the organization (a kind of quasi-monopolistic position is achieved). A generic strategy is chosen to enable the organization to compete in a way that will achieve a sustainable level of profitability above the industry average. Porter listed three: an organization should concentrate its activities on only <u>one</u>.

- Overall cost leadership, when it is possible to compete on price, based on efficiencies such cost minimisation and economies of scale (although note that not all the cost benefit might be passed on to customers).
- Differentiation, which may enable a premium price based on the value-added for customers by such competitive differences from rivals as, say, the range of products and services offered (economies of scope), quality and reliability, brand image, technology, product attributes, service, support etc.
- Focus, not industry-wide, but centred on supplying a particular niche or market segment more closely than other firms; firms can focus on either costs or differentiation, but in ways that does not make direct competitors to industry or market leaders.

These ideas of Porter are extremely influential, especially among governments, in marketing, and among strategy educators. However, the success of Japanese companies in bringing down costs and raising quality both at the same time has raised doubts. Traditionally, the greater a range of products and services, then the more likely it was that their costs (and so prices) would be higher than those costs associated with a narrower range, greater economies of scale, and uniform methods of production (Skinner, 1969). However: *"Not only did the Japanese manage to combine things that Porter thought were incompatible, they did so without bothering to prepare strategic plans,"* Micklethwait & Wooldridge (1997: 163). (The assertion that the Japanese did not strategically plan is not really a correct one. See 'Japanese management'). The generic strategy idea might have contributed to the idea that improved quality should reward producers with higher prices, but ideas such as TQM insist that quality should go beyond customer expectations to continuously improve both the product and lower its price.

In a follow-up book, called *Competitive Advantage*, Porter (1985) introduced the concept of the value chain (see 'value chain'). This is a framework to analyse an organization's internal capability to support and reinforce the chosen generic strategy. The value chain shifted emphasis more on the question of how a generic strategy might be sustained and managed dynamically.

To Porter strategy *"is the creation of a unique and valuable position, involving a different set of activities. The essence of strategic positioning is to choose activities*

that are different from rivals", (Porter, 1996: 68). Positioning is differentiating competitive advantage. This is a lasting condition and but, argued Porter (1996), *"Positioning – once the heart of strategy – is rejected as too static for today's dynamic markets and changing technologies. According to the new dogma, rivals can quickly copy any market position, and competitive advantage is, at best, temporary,"* (*ibid.*). This is a dangerous half-truth, and the root of the problem, he claimed, is a failure on the part of organizations to distinguish between operational effectiveness and strategy. He wrote *"bit by bit, almost imperceptibly, management tools have taken the place of strategy,"* (*ibid.*). See 'operational effectiveness'.

Operational effectiveness means performing <u>similar</u> activities <u>better</u> than rivals perform them. Strategic positioning means performing <u>different</u> activities from rivals, or performing similar activities in <u>different</u> ways. *"Manufacturers that adopted the Japanese practice of rapid changeovers in the 1980s were able to lower costs and improve differentiation simultaneously. Japanese companies rarely developed distinct strategic positions. Japan is notoriously consensus oriented, and companies have a strong tendency to mediate differences among individuals rather than accentuate them. Strategy, on the other hand, requires hard choices. The Japanese also have a deeply ingrained service tradition that predisposes them to go to great lengths to satisfy any need a customer expresses. Companies that compete in that way end up blurring their distinct positioning, becoming all things to all customers...Few companies have competed successfully on the basis of operational effectiveness over an extended period,"* (63). [Operational effectiveness innovation diffuses quickly, accelerated by consultants. The]*"more benchmarking companies do, the more they look alike...strategies converge and competition becomes a series of races down identical paths that no one can win...the essence of strategy is in the activities – choosing to perform activities differently or to perform different activities than rivals. (64) …IKEA targets young furniture buyers who want style at low cost. What turns this marketing concept into a strategic position is the tailored set of activities that make it work...to perform activities different from its rivals. In practice, new entrants often have the edge…Unlike incumbents, newcomers can be more flexible because they face no trade-offs with existing activities,"* (65).

Choosing a unique position is not enough to guarantee a sustainable advantage. A valuable position can be copied in two ways: by a competitor re-positioning, or by straddling. This last is where a competitor maintains its existing position, but grafts new features, services, or technologies, onto the activities it already performs. However, there are costs, or trade-offs, involved in both re-positioning and straddling. *"Trade-offs occur when activities are incompatible. Simply put, a trade-off means that more of one thing necessitates less of another. An airline can choose to serve meals – adding cost and slowing turnaround time at the gate – or it can choose not to, but it cannot do both without major inefficiencies,"* (68). Trade-offs arise for three reasons:
* inconsistencies in image or reputation;
* from the activities themselves – while different positions require different configurations of activity, there will be inflexibilities in machines, people, systems, and an activity can be over-designed and underused;
* they can arise from limits on internal co-ordination and control, and a need to establish priorities.

Where companies have achieved best practice (operational effectiveness), the trade-off between *"cost and differentiation is very real indeed…Strategy is making trade-offs in competing. The essence of strategy is choosing what <u>not</u> to do…* [competitive advantage comes from the way activities fit together and reinforce one another]. *Fit locks out imitators…Rather than seeing the company as a whole, managers have turned to 'core' competences, 'critical' resources, and 'key' success factors. In fact, fit is a far more central component of competitive advantage than most realise. Fit is important because discrete activities often affect one another…Although some fit among activities is generic and applies to many companies, the most valuable fit is strategy-specific because it enhances a position's uniqueness and amplifies trade-offs,"* (69-71). There are three types of fit:

- 1st order activities about consistency between each activity (function) and the overall strategy;
- 2nd order activities about reinforcing, like the elements of a marketing mix;
- 3rd order activities about the optimisation of effort.

"The fit among activities substantially reduces cost or increased differentiation…[thus] *it can be misleading to explain success by specifying individual strengths, core competences, or critical resources,"* (73). It is difficult for rivals to compete against an array of inter-locked activities. Fit also creates incentives to improve operational effectiveness. Rivals get little benefit from imitation unless they can successfully match the whole system. Structure, systems, and processes, need to be strategy-specific to help make complementarities more achievable.

Strategic positions *"should have a horizon of a decade or more, not of a single planning cycle,"* (74). It takes time to build improvements and unique capabilities and skills tailored to its strategy (see stability). Managers are constantly tempted to take incremental steps that surpass those limits but blur a company's strategic position. A position and fit can seem to impose limits on growth and development. *"Most companies owe their initial success to a unique strategic position involving clear trade-offs. Activities once were aligned with that position. The passage of time and the pressures of growth, however, led to compromises that were, at first, almost imperceptible. Through a succession of incremental changes that each seemed sensible at the time; many established companies have compromised their way to homogeneity with their rivals,"* (76).

Strong leadership is often required to refocus the company on *"the unique core and realign the company's activities with it…examine the original strategy to still if it is still valid. Can the historical positioning be implemented in a modern way, one constant with today's technologies and practices?"* (76). The prescription is to deepen a strategic position rather than broaden it, to look for extensions that leverage the existing activity system by offering features, services, that rivals would find impossible to match or too costly on a stand-alone-basis. Porter (1996) used IKEA as an example of how a company's activities fit together to enhance competitive difference and position. More recently, Anders Dahlvig, IKEA's CEO, said this: *"Many competitors could try to copy one of two of these* [i.e. IKEA's features]. *The difficulty is when you try to create the totality of what we have. You might be able to copy our low prices, but you need our volumes and global sourcing presence. You have to be able to copy our Scandinavian design, which is not easy without a Scandinavian heritage. You have to be able to copy our distribution concept with the*

flat-pack. And you have to be able to copy our interior competence – the way we set out our stores and catalogues," (Dahlvig, 2003).

The role of senior management is vital. *"In many companies, leadership has degenerated into orchestrating operational improvements and making deals. But the leader's role is broader and far more important. General management is more than the stewardship of individual functions. Its core is strategy: defining and communicating the company's unique position, making trade-offs, and forging fit among activities...Managers at lower levels lack the perspective and the confidence to maintain a strategy. There will be constant pressures to compromise, relax trade-offs, and emulate rivals. One of the leader's jobs is to teach others in the organization about strategy – and to say no. Strategy renders choices about what not to do as important as choices about what to do...Thus strategy requires constant discipline and clear communication. Indeed, one of the most important functions of an explicit, communicated strategy is to guide employees in making choices that arise because of trade-offs in their individual activities and in day-to-day decisions,"* (Porter *et al.* 77).

Porter's ideas are summarised as six principles for strategic positioning (*op cit.:*71):
- Start with the right goal: superior long-term return on investment
- Deliver a value proposition: set of benefits different from competitors
- Strategy reflected in a distinctive value chain: activities must be different, or done differently from rivals
- Strategies must involve trade-offs: to be good at some activities, must forgo others
- Strategy defines how activities are interdependent: how elements of what an organization does fit together
- Continuity of direction: a business for a distinctive value proposition, forgo other opportunities

Of course, many organization and companies do not have clearly specified generic strategy and have traded successfully and profitably for years. However, it is arguable as to the extent that these companies control their destiny. The link between a choice of strategy and long-term success is difficult to prove conclusively. Porter's ideas have worried scholars in a number of ways. A common one is that Porter's analysis is too static or reactive. This applies particularly to the five forces and the idea that *"a good strategy involves somehow picking an attractive industry and positioning oneself to be shielded from competition,"* (Teece, 2007: 1324). *"Fundamental is that it implicitly views market structure as exogenous, when in fact market structure is the (endogenous) result of innovation and learning...Relevant factors ignored or underplayed by Five Forces include technological opportunities, path dependencies, appropriability conditions, supporting institutions, installed base effects, learning, certain switching costs, and regulation.,"* (*op cit.* 1325). Teece, of course, is writing from the resource-based view of strategy.

Certainly once a generic strategy has been adopted it may be difficult to change and take an organization through a major transformation. However, there is no reason why a generic strategy should not be managed dynamically, and the importance of an organization-wide discipline that derives from a strongly communicated strategy, for instance, Ryanair's focus strategy on cost, can be very effective. Some scholars have

suggested that when one looks beneath the surface of a generic strategy, the methods of implementation and execution are so diverse and that it is this that is really important for a success, especially how activities complement and reinforce each other (Miller & Dess, 1993). Drawing on data from extant studies, Campbell-Hunt (2000) came to a view that *"cost and differentiation do play a high-level role in discriminating between the many possible designs of competitive strategy...designs that mix the two types are relatively rare,"* (149), but that at lower hierarchical levels, contingency theories are likely to offer better insights for explanations of performance.

Another concern is the difficulty of interpreting Porter's ideas in practice. It is difficult to identify successful examples of generic strategy, where a firm has clear leadership based either on cost or differentiation in an industry. One reason is the difficulty of defining what actually defines an industry, a market, or a niche. It is also too easy to take Porter's ideas at face value when cost leadership is confused with market price leadership or differentiation with market product variety. Competitive positioning is about the creation of an ability to control costs and differentiation in ways that make it too difficult for a rival to compete in the same way – this is a more complex idea than simply differences that are encapsulated purely in terms of market positioned offers.

A third concern is that generic strategies must be mutually exclusive: the competitive success of the Japanese seems to be based on a hybrid approach. In fact, Porter (1996) alleges the Japanese have not used real strategy, but rather operational effectiveness. The idea for Porter's generic strategies was based on the opportunities a narrow product range and economies of scale give for competitive cost advantages, if the firm concerned can gain a larger market share than its rivals. However, new technology, business forms and ways of managing such as flexible working, have probably made Porter's ideas less relevant than they were. The ideas of the resource-based view, especially dynamic capabilities, which may offer a firm-specific versatility to supply a variety of markets, seem to run counter to Porter's more static views of markets and industries. It is also possible to think of other bases for generic strategy: for instance, Treacy & Wiersema (1995), claim that successful firms follow three value creating strategies to differentiate themselves in the marketplace (see value), which are different to the generic strategies.

In the language of economics, the economic rents (short-term profits above the expected normal profits of the long-term), brought about by firm positioning in the competitive forces framework, are monopoly rents (Teece, 1984). In perfectly free markets competitive forces drive economic returns to zero (normal profits) and Porter's strategies seek to achieve above average returns (abnormal profits) over the longer-term, some would argue, by impeding competitive forces and economic efficiency.

complementarities (complementarity theory) (see strategic fit)
Complementarities are activities where doing more of them, increases the returns to doing other activities. This represents a view of thinking about strategy as a complementary set of activities that reinforce each other as a complex set of inter-relationships. Practices are complementary when doing more of one increases the returns to doing more of another (Milgrom & Roberts, 1990, 1995). *"For example,*

when a manufacturer raises the reliability of its product by investing into better quality controls, it becomes more attractive to extend the warranty as well. Thus, complementarity gives rise to 'synergy' among complementary activities, with the total being more to the sum of its parts," (Stieglitz & Heine, 2007: 2). Pettigrew *et al.* (2003) argued that complementarity theory is an advance on contingency and configurative theory. However, the idea that a firm's activities should complement each other to achieve a larger and common effect is an old one. It finds a strong echo in Porter (1985, 1996, 1998) in the emphasis he places on how strategic activities should mutually sustain each other as part of an overall strategy. The McKinsey 7S framework is an application of this idea, where various facets of an organization's policies are managed to be mutually reinforcing (Levinthal, 1996). Teece (1986) shows that successful innovation requires complementary capabilities like marketing, manufacturing, and after-sales. Rosenberg (1982) used 'complementarities' to refer to technological interdependence, when innovation develops in relationship to other innovation; so a systems perspective is necessary to understanding innovatory change. Organizational complexity is evident from the following observation.

"At any moment for any given firm there is an optimal organization form or management method that if used by the firm will yield the greatest benefit (Perrow, 1969). It is around this principle, and the fact that there exist complementarities among practices, that the concept of system of organizational innovations has been developed and used (Huselid, 1995; MacDuffie, 1995; Ichniowski & Shaw, 1995). High performance workplaces result from the synergic interaction of many management practices – TQM, formal team working, job rotation, employees, involvement programme, training, compensation and management performance systems (Huselid, 1995; Zenger, 2002). The system, when successfully implemented, creates a unique source of competitive advantage for the firm that is difficult for competitors to replicate with increased quality productivity and often better performance than more traditional systems (see Huselid, 1995; Black & Lynch, 2001)...The evidence shows that there is no one best practice or best organizational model. Promising practices need to be firm specific and relevant to the firm's strategic and environmental contingencies (the market the firm operates in, the final product characteristics, how the new flexible technologies apply to the work, the existing intra and inter-organizational structure, the existence of highly skilled work force) and appropriate to...the firm's unique culture. In this case, adoption needs not only to be assessed within the context of existing understanding within the firm but also where appropriate across the industry [so there's a role for mediating bodies],*"* (Edwards et al. 2004: 21).

Two instruments for complementarily are cross-functional teams and project management. An organizing structure (such as hoshin kanri to achieve FAIR) is necessary to align and integrate cross-functional working. Meyer (1994) suggested organizations often retain traditional, functionally-oriented performance measures in implementing cross-functional teams. Also the responsibility and place of review tend to encourage a functional focus, if cross-functional objectives are owned by a functional specialist, who holds reviews in his or her functional unit (Witcher & Butterworth, 2001). Zender (2002) argued there is evidence that quality management has ignored structure and incentives, while BPR projects have focused too narrowly focused on structure; a broad focus is necessary for effective cross-functional work. However, for many firms the adoption of ideas such as TQM and lean working

constitute sets of mutually reinforcing activities. For example, *"Technologies like computer-aided design and computerised manufacturing made the production process much more flexible. With less specialised equipment, it was possible to offer more variety of major products, and to update the production line more frequently. Thereby, forms of 'on-demand' production become feasible in numerous industries. In addition, firms implemented new human resource policies with fewer job classifications, reduced inventory stocks, and put a higher emphasis on speed in order processing, production, and delivery. Milgrom & Roberts explain this new organizational arrangement by arguing that the various activities are mutually complementary and, consequently tend to be adopted together,"* (Stieglitz & Heine, 2007: 4).

Stieglitz & Heine observed that care must be taken when changes are made to ensure that activities are not *"substitutes, if doing more of an activity x lowers the marginal benefit off an activity y. ..to reap the full benefit of corporate activities, managers have to take account of complements and substitutes among activities. A failure to recognise the substitutability of activities may result organizational slack and other forms of inefficiency, because a firm performs redundant activities (for a detailed analysis of organizational substitutes, see Siggelkow, 2002a),"* (2007: 2).

complexity theory (see systems thinking)

CompStat (CitiStat) (see broken windows theory)
CompStat is short for computer statistics or comparative statistics. It is a review and performance management system that was introduced by Rudy Giuliani (mayor of New York, 1994-2001) and his police commissioner, William Bratton, to manage the NY City Police Department and reduce crime. Bratton and Giuliani were influenced by 'broken window theory'. The innovation required a change in organizational culture and some structural change as well.

CompStat *"works this way. The police officer in the street makes a report and enters it into his precinct's On-Line Complaint System. The report is transmitted to the CompStat mainframe and entered in two places: 1) on a map that shows geographical concentrations of criminal activity and sorts them by hour of day, type of crime, and day of week; and 2) on a weekly summary of crime complaints that displays trends over a variety of periods, such as week-to-date, month-to-date, and year-to-date, and compares the current year's total with the prior year's and shows the percentage change. The data can only result in a meaningful response if it's accurate. We implemented an auditing system...It would flag statistically unrealistic performance, allowing us to dig deeper into its accuracy. There were even commanders removed for tinkering with the numbers,"* (Giuliani, 2002: 74).

CompStat is much more than a computer information system. At its centre is a review meeting held (at least) once a week with executives, precinct commanders and other operational heads, to discuss progress on the city's strategies. The idea is to discern emerging and established crime and quality of life trends, as well as deviations and anomalies, and to make comparisons between the different precincts and commands to promote debate and learning. It serves to help executives understand operations, to evaluate the skills and effectiveness of middle management, and to assist in properly allocating resources for continuous improvement. Because

high ranking decision makers are present, they can commit resources quickly to clear obstacles and avoid delays that are common in highly structured bureaucratic organizations. Local commanders have considerable discretion and control over how resources are used. The city has a number of crime and quality of life strategies. So the review meetings occur twice weekly as strategy meetings and, depending upon the weekly crime statistics, every precinct commander can expect to be called at random, to make a presentation approximately once a month. A commander's entire staff is required to be present. While the approach is essentially one that aims to foster a team approach to problem solving, the use of presentations and targets acts as a motivational and competitive tool that increases accountability.

When it proved effective Giuliani applied the system to other city government functions. This included the management of the city as a whole: i.e. the Citywide Accountability Program (CAP), which is now applied in other U.S. cities (and overseas), and which is now generally called Citistat.

Giuliani has set out four parameters for the approach:
- *"Data had to be collected regularly and reliably – preferably on a daily basis, but at least one a week – at a set time.*
- *Twenty to forty performance indicators that got at the core mission of the agency had to be established.*
- *A regular meeting must be convened – with a minimum frequency of at least once a week – including a floor plan that demonstrated exactly which* [city] *agency leaders were required to be present at each meeting.*
- *Ten or more representative performance indicators that the agency wanted on its page of the city's web site must be submitted."* (Giuliani, 2002: 88-89).

The idea is to identify patterns (maps are used in presentations) and provide 'objective proof', so that the transparency of the system will help participants to understand the whole picture, allow brainstorming, and improve performance before it happens. However, Giuliani makes it plain that managers must work whole-heartedly with the system or they should face dismissal. This raises the extent of gaming; it may still be possible for poor performers to try to hide unfavourable statistics, or to manipulate the recording of statistics to hide the true situation (although the system is supposed to pick this up). Some critics have pointed out that national crime had already started to decline before Giuliani took over, and that other major city crime also fell over the same period, due to an improvement of the economy. There were also other factors peculiar to New York. However, it is indisputable that crime in NY fell faster than elsewhere and that this has continued since 2001. As a result other cities (notably Boston) have adopted CompStat with apparent success.

conceptual products (see productivity)

confidential strategy (data security, privacy)
There are exceptions to the rule that strategy should be open and understood by all. Some policies remain confidential or restricted to those few who must implement them, so there is no need to publish them. These include sensitive trade agreements with (especially new) customers and suppliers, personnel changes, changes in organizational structure, mergers, increase of capital and purchases of property.

However, knowledge of senior management policies and plans for the future can be considered a status symbol and this may act to stop pertinent information reaching all but the highest ranks in a business. Kaplan & Norton quote a company's president, *"This balanced scorecard...communicates my strategy so well that a competitor seeing this would be able to block the strategy and cause it to become ineffective,"* (2001: 373). Of course it may not be the strategy itself so much as the *"internal leadership and management processes"* that are important (374).

configurations (see strategic fit, contingency theory, complementarities)
"Organizational configurations can be identified as commonly occurring clusters of attributes of organizational strategies, structures, and processes," (Ketchen *et al.* 1993: 1278). Mintzberg (1979) argued that organizations are made up of an operating core, a strategic apex (the top level of management), a middle line (or middle management), a technostructure (a form of management that designs systems and work processes), support staff (that provides ancillary services), and ideology (organizational culture). How any of these predominate or configure depends upon an organization's context. He identified six basic configurations, each with a different form of co-ordinating mechanism: (1) a simple structure coordinated by a chief executive through direct supervision (e.g. SME management); (2) a machine bureaucracy, coordinated through a techno-structure that standardises work and where cost effectiveness is important; (3) a professional bureaucracy coordinated through professional having in common skills typically achieved through certification (e.g. professional service organizations); (4) a divisionalised structure, where coordination is managed through a middle management (e.g. where output is standardised, such as for line or batch manufacturing); (5) adhocracy, where an operating core and its support staff mutually adjust to circumstances, say to the needs of a large customer (e.g. project management); (6) a missionary form, where coordination is achieved through the existence of a common purpose, ideology and norms (e.g. a charity and non-profit making organization). The concept of 'adhocracy' was invented by Warren Bennis in 1968 as an opposite of bureaucracy, in the sense that for adhocracy, structure and roles are not permanent, but teams and individuals must exercise initiative and be willing to tolerate ambiguity.

Pettigrew *et al.* (2003) identify a configurational perspective in organizational theory and argued that this brought in a holistic kind of thinking that improved on the reductionist tendency of contingency theory. Configurational approaches were represented early on by the archetypes developed by Miller & Friesen (1978), and the Miles & Snow (1978) typology. *"typologists and taxonomists...assert that – regardless of control or causality – successful organizations are aligned in a small number of typical patterns. In some instances, these configuration theorists prove a priori theoretical reasons why such alignments should exist, including natural selection,"* Powell (1992: 120). Pettigrew *et al.* argued that complementarity theory is a more developed stage of thinking, since it provides a focus on uniqueness rather than on general types, or the "commonly occurring clusters" that characterise configurational research.

conflict (see purpose)
conglomerate (see diversification, structure)
congruence (see contingency; objectives)

consensus (see nemawashi, catchball, communication)
This is a *"shared understanding and common commitment,"* (Floyd & Woodridge, 1992b). Perhaps this is not specific enough. Agreement is necessary so that the least supportive member of a group will undertake to actively support an activity and participate. Agreement turns consensus into commitment. Once it exists, implementation is easier. This is important to Japanese decision-making where it may reflect a national culture that values conformity of viewpoint and the avoidance of conflict. This enables everyone to learn what others think and feel about an issue so that people take action that is unlikely to violate a superior's expectations and norms. Western organizations stress communication, which (maybe) involves less agreement and understanding than is required for consensus. The notion of 'shared understanding' is of special significance to the resource-based view of strategy, where corporate strategy is understood as a pattern of behaviour.

consultants (see gurus)
These are people and organizations that consult with and advise companies. Their influence in terms of extending ideas to practice has been immense. Consulting organizations led the TQM revolution, and it was virtually over by the time academics had realised something had happened. Some of them have made original contributions, including the influential Boston Consulting Group, which in the early 1960s introduced the experience curve, the growth-share matrix, and the product portfolio (see Moore, 2001; ch. 7, for a note about the Group's founder, Bruce Henderson). Consultants, though, are popularly held to be responsible for faddism where a management idea becomes popular for a limited time and then is forgotten and superseded by another. For a (rather tendentious but) good account of business process reengineering as a consultancy-driven fad see Micklethwait & Wooldridge (1997: 27-48).

consumers (see marketing, globalization, postmodernism)
Consumers are the final customers in a supply chain for products and services. Typically the term is applied to mass markets. During the twentieth century developed countries became consumer societies, where markets became dominant as systems for distributing resources and the creation of wealth and power. This will continue as almost a billion new consumers seem likely to enter the global marketplace in the next decade as emerging markets push annual household incomes above $5,000, a point when people begin to spend on discretionary goods. The consumer landscape will change significantly. The consumer's spending power in emerging economies will increase from $4 trillion to more than $9 trillion in 2015, nearly the current spending power of Western Europe. This trend will become increasingly linked to more sophisticated sources of information and access to the same products and brands.

content, context & process (see strategic change)

context free thinking about strategy (see scenario planning)
An approach to thinking about strategy without preconditions: *"The businesses were asked to focus on the opportunities and threats on their business horizon, disregarding their own internal strengths and/or weaknesses for now. It was pointed out to the divisions that the natural tendency might be to do just the opposite, an example of mental extrapolation into the future based on one's present business*

situation; the danger of this would be to develop a picture of the future of the business based on the wishful assumption that future opportunities and/or threats would be extensions of the present. After taking a context free look at future opportunities and/or threats, each division was then asked to assess what broad areas of change this might call for to make the necessary reorientation of one's internal strengths and weaknesses," (Lorange, 1980: 33).

This typically focuses on a desired state or vision and works back in terms of how to reach it, such as with business process re-engineering. This contrasts with a Japanese view that combines strategic intent (an ambitious vision) with lean working; the focus is on achieving the short steps in a direction of a distant vision. This kind o thinking starts from a position of existing resources.

contingency (theory) (see strategic fit)
This is a view from organizational theory that organizational structure and behaviour are determined in predictable ways by their circumstances; so strategy follows/is determined by circumstances. *"The development of contingency theory was a reaction against the idea that there is 'one best way' in management. At the time it was developed that 'one best way' was scientific management, MbO and related sets of prescriptions. Contingency theory substitutes the 'it all depends' approach for the 'one best way'. The approach derived from empirical research (e.g. Burns & Stalker 1962; Woodward 1965; Lawrence & Lorsch 1967,"* (Stacey, 2000: 56).

Contingency is related to congruence, the idea that organizational design should be consistent with strategy. Chandler (1962) found that organizations facing different environments adopt different strategies, and that, in turn, these strategies require changes in the structure of the organization, so that structure follows strategy. Contingency theory complements traditional ideas about strategic planning, the idea that organizations should plan how to best to fit to their environments. Fry & Smith (1987) point to the idea of 'equifinality', when organizations can exhibit different profiles of congruence and still be effective. Child (1977) found that the two most profitable airlines had different strategies, administrative practices, and structures, even though they were in similar environments. This is unsurprising if firms are following Porter's advice that strategies should be different.

Pettigrew *et al.* (2003) argued that contingency theory neglects process, and thus downplays the management of change. Contingent thinking is essentially reductionist, with a propensity to disaggregate organizations into distinct, mutually independent dimensions – technology, strategy, structure and so on, without an adequate consideration of other dimensions; configurative and complementarity theory offer broader interpretations.

continuous improvement (see management of change, TQM)
This is the search for continuous improvement in daily management and is typically used as a business philosophy in TQM and lean working (and the elimination of muda). It involves corrective action, but the idea is really not just to correct, but go further by solving issues fundamentally, so that they do not recur. This means the adoption of new activities and ways of working is encouraged, and the elimination of those activities that add little or no value (see lean working). The Japanese term is 'kaizen' (Imai, 1986), which is taken from 'kai' meaning change, and 'zen' meaning

good. Kaizen change is by its nature incremental (gradual) improvement – a way of life philosophy. It is distinguished from radical or innovatory change, but the idea is that from gradual improvement substantial change comes about (that is, the idea that from dust, mountains are built).

control (systems) (see management control, strategic control)
The word 'control' suggests an exercise of power, or influence, on things and people, and may be perceived as a limiting.   In fact, everything about organization and organizational expectations, ultimately controls or influences behaviour. Organization, plans, budgets, policies and procedures etc are designed with intent (in reality they may evolve or emerge). Broadly, there are three levels for the control of work that are important to strategic management: (1) control in managing a task of work (see process, PDCA); (2) management control (usually in a systematic way) of people to influence how they work (see management control); (3) strategic control of the whole organization to achieve its longer term purpose and overall strategy (see strategic control, levers of control). The three forms are inter-related, which requires senior management to take a unified approach to control in its strategic management of the organization.

Much of the debate about control has fallen into two competing points of view: those influenced by ideas such as scientific management, and the other with a human relations view of people. The former tends to a view that control should be based on incentive systems with sanctions designed to ensure that self-interested and intrinsically unmotivated employees find it in their own interests to work toward organizational goals.   The latter tends to an opposite view, that people reach fulfilment through their work, and can be trusted to achieve organizational goals. It is possible for managers to demonstrate a form of leadership that inspires employees to be creative, co-operative, and take risks. Both views can work well and organizations seem to use a combination, although many western managements regard the word 'control' with suspicion as overly top-down command and too prescriptive. Thus, control systems are sometimes called management systems. A distinction is also made between the formal and informal control where the former is associated with documented systems of control, while the latter is concerned with the management of inter-relationships and influence.   Formal control systems tend to build up (informally!) over time. With this there is also a danger of control for control's sake. Woodward & Eilon (1966), in their early work on control systems, observed the *"setting of the various standards and the measurement of actual against anticipated results seem to have become self-contained activities, ends in themselves rather than integral parts of the control system,"* (103). Control systems should be reviewed as part of an organization-wide system of senior management control, but this is rarely done.

Control is often confused with management, but management is a broader concept since control is an enabler of management. To be 'in-control' means to know where work is at any one time in achieving its particular objectives (some writers call this 'transparency'). This is especially important if higher levels of management are to understand the mutual dependencies of working processes; how change in one area of the business will affect working in another. Of course it is typically impossible to be exact, but it is usually possible to see <u>how</u> things are working. This applies to the strategic management of the organization as a whole. It should be a prime function of

senior management to periodically assess organization-wide control (including systems of feedback and review) for its effectiveness.

In the view of Barclays Bank chief executive, John Varley, an executive needs to understand the risks in an organization. Barclays has 150k employees and many areas of complex specialisation where the executive must abide by the judgements of others. It is impossible for an executive to know everything so there must be a framework of control based on a dependable system of risk management and delegation. Data and information must be of a form that can be understood by board committees such as risk management and audit committees. (Preston, 2009)

control items (see QCDE)

core business (see core business processes)
This is the original and main business of the organization. Some observers believe that an organization should not stray far from the things (technologies, markets) with which it is familiar and on which its success has historically depended (e.g. the recent story of Ford, see corporate governance). Companies should stick to the knitting and the business they know best (Peters & Waterman, 1982). Core business refers to business area defined as the type of business the company is in: for example, a particular customer area, industry or market (as sometimes defined by a mission statement). It should not be confused with core competence, core capabilities, or core business areas.

core business areas (processes) (see business model, critical success factors)
The core areas or processes refer to those (typically) cross-functional activities that are critical to the success of the firm and thus require the attention of senior and other managers organization-wide. General Electric identified a number of areas and specified a set of generic performance measures for its departments in the 1950s (Otley 2001):
- Profitability (measured by residual income)
- Market position (market share)
- Productivity of capital and labour (compared to competitors)
- Product leadership (level of product development)
- Personnel development (linking recruitment and training to future needs)
- Employee attitudes (motivation)
- Public responsibility (level ethical, environmental and community awareness)
- The balance of long- and short-range goals and strategies.

In the context of a lean production environment, Hines *et al.* (2002) give a normative example of a set of 'key' processes defined as patterns of inter-connected value-adding relationships that are designed to meet the overall purpose. In car-manufacture, for example, these are:

"(i) Strategy formation and deployment: The strategic management of the company, focusing of change, managing critical success factors and ensuring all employees are fully aligned and empowered.
(ii) Order fulfilment (new cars, used cars, parts): Taking orders, processing the orders, scheduling planning, taking delivery, inspecting, delivery to customer and payment management.

(iii) Order fulfilment (car servicing & repairing): taking booking, receiving car, serving car, returning to customer and payment management.
(iv) Winning business: identifying and targeting new customers or business opportunities in order to trigger the order fulfilment process.
(v) People lifecycle management: the identification of needs, recruitment, motivation, training, development and reward of people together with the management of their eventual retirement.
(vi) Information technology: the management of electronic support systems.
(vii) Legal and financial management: the management of the legal function as well as costs, financial and management accounts." (Hines *et al*: 18).

Nissan (Witcher *et al.* 2006) identifies thirteen activities as 'core business areas':
- hoshin kanri
- daily management (nichijo kanri)
- production maintenance
- standardization establishment
- productivity improvement activity
- inspection
- production control and logistics
- personnel and labour management
- cost management
- quality control (including just-in-time management, process control)
- engineering capability
- parts localization
- purchasing.

Hewlett-Packard identified six core business processes; one including planning and review (its hoshin planning process) (Witcher & Butterworth, 2000). In the sense that core processes and business areas are key cross-functional activities, they can be regarded as core capabilities.

Nissan in conjunction with the identification of its core business areas also identifies seven business methodologies and management philosophies; these are considered particularly relevant to the effective management of its core business areas. These can regarded as Nissan's core management competences, which are listed below:
- daily control
- the determination of hoshins (the review of hoshin related work and set up activity)
- the coordination of hoshin development and deployment for hoshin/business plan and control items
- the establishment of control items
- analytical and problem solving abilities
- check and action taken
- leadership and participation by high-ranking personnel.

These seven management areas are used as diagnostic items by senior level managers to review the proficiency of how individual units are managing the thirteen core business areas across the whole corporation: in other words, all of Nissan's plants are examined for how they apply their knowledge of the seven core competences in the

core areas of the corporate business (Witcher *et al.* 2008). (See top executive audits; also performance excellence.)

A set of core processes can constitute a firm's business model (Magretta, 2002; Yip, 2004) and involves mapping out those processes that contribute directly to stakeholder (especially in a lean context to customer) value. Some core processes are by their nature quiet, but they remain continuous and in that sense are dynamic non-events (Weick, 1987): an obvious one is safety, which must be managed continuously and made subject to continuous change that is more than simply a question of design and quiet monitoring (Gauthereau & Hollnagel, 2005). The specification of core areas may have more to do with operational effectiveness than directly with substantial strategic change, since it involves diagnostic rather than strategic control.

core capability (see core business areas, dynamic capabilities, resource-based view)
This is a distinctive organizational capability that is difficult for a rival to copy.

core competences (see resource-based view, dynamic capabilities)
Core competences are organization-specific abilities people have to work together, and use knowledge and learning to manage strategic resources in ways that create competitive advantage. The resource-based view literature emphases the nature of the firm as a cognitive system, characterised by idiosyncratic and context-dependent competences, which are core (or of central importance) to the strategic purpose of the firm. These develop at least in part from organizational learning and typically competences are reinforced and strengthened over time. While rivals may find such competences difficult and costly to copy, they can lock a firm into a trajectory that is difficult to change quickly (Tushman & Anderson, 1986; Dierickx & Cool, 1989), and if expertise and ways of learning become too institutionalised they may turn competences into 'core rigidities' (Leonard Barton, 1992b).

Prahalad & Hamel (1990) argued risk is manageable if core competences are used to develop 'core products' that provide a foundation for products in unrelated markets. These are not final products, but are areas of firm-specific (and thus unique) expertise and resources that can be configured to produce a range of final products and services for different and unconnected markets. These core products are managed by core competences, which Prahalad & Hamel define as the abilities of employees to learn how to develop and manage the integration of technologies, through their expertise in cross-functional management and collaborative working. Canon uses these (managerial) competences to develop its technical competences in optics (a core product), to serve different markets as diverse as cameras, copiers, and semi-conductor equipment. This flexibility is possible because Canon's people can work effectively together, in common ways. Canon's competitive advantage is an internal capability not easily seen or understood by its rivals. Most of the commentary on Prahalad & Hamel work seems to miss the point, however, that it is not the core products and core competences that by themselves provide the strategic capability, but its the firm's ability, or capability, to develop and sustain its core competences that is also important: for example, Stalk *et al.* (1992), argued that it is how Canon uses its capabilities dynamically, which really accounts for its competitive advantage over time (see dynamic capabilities).

core objectives (see strategic objectives)

core processes (see core business processes)
core values (see values, good-to-great companies)
corporate culture (see organizational culture)

corporate (enterprise) governance (see financial perspective)
"Corporate governance is the basis of accountability in companies, institutions and enterprises, balancing corporate economic and social goals on the one hand with community and individual aspirations on the other," (ECGI, 2002). This is about issues of ownership and management of the corporation by a board of directors. It includes issues of major concern to an organization's stakeholders, especially those that have a financial stake such as major shareholders. It also includes issues of business ethics, the role of non-executive directors, and societal issues. Governance includes the creation of grand strategy and boardroom decisions, about business development such as M&A and divestment activity, major structural changes and market change, as well as major innovation and new product development. A related issue is corporate control - what should be the role of a corporate headquarters (see parenting).

Pettigrew has proposed two core purposes for a board: to oversee the performance of the company and those who lead it, and secondly, to assist the executive management to shape the values, identity and strategic development of the company (Starkey, 2002). The membership of a board is important. Many non-executive directors hold positions on more than one board and this brings experience of conditions elsewhere (although it can also lead to time pressure issues and conflicts of interest). Cross-directorships may be limited in some countries such as the UK, but more common in others, such as Germany (Masters, 2009).

A McKinsey (2006) survey indicated that a company's board focuses on a limited number of roles in strategic planning: boards are active in challenging strategy during the development process and in approving the final strategy; only a quarter of respondents say their board is actively involved in developing the content of the strategy.

The part played by boards of directors in large companies on strategy may work more through context than content. *"[It is] through the manipulations of the strategic context* [compared to content] *of the organization that the board makes its major contribution to strategy, rather than through a substantive contribution to the decision-making process...The formal strategy formulation process – the determination of corporate objective setting in terms of business portfolio and resource allocation – derives its content chiefly from the deliberation of the executive committee. Strategies proposed by the business units or divisions will usually pass before the executive committee; it is at this stage that deficiencies in content and presentation of the proposed strategy will be highlighted and conformance or divergence from the overall strategic aim of the company will be assessed. Emerging from this process will be strategic proposals that have the endorsement of the executive committee. At the board meeting, therefore, it is highly unlikely that the non-executives will overturn the choices made by members with the greatest firm knowledge and industry specific knowledge, who have access to the fullest information, and who have the opportunity to consider the choices in the greatest detail,"* (Stiles & Taylor, 2001: 47-48).

"The principal cause of business failure remains, as always, bad management. Bad management in big quoted companies is not a new phenomenon, but it seems to have become more common. In the US, quarterly reporting and short-term investors increased the pressure on executives to deliver. When events started to go wrong, the absence of a supervisory board arguably made it easier to achieve targets through creative accounting. On top of that, combining the role of chairman and chief executive in a single all-powerful individual, with the effective power to hire and fire other board members, resulted in boards that sometimes failed to rein in bosses when their strategies failed to keep pace with reality. In a raging bull market, a flamboyant visionary such as Jean-Marie Messier, former executive chairman of the French media conglomerate Vivendi Universal, can achieve extraordinary results. But in more challenging times, a boss who cares about cash-flow and creeping growth in market share may better serve the shareholders," (Tieman, 2002: 31).

Non-executive directors have failed sometimes to prevent rash management. *"Perhaps the single biggest example of change in British business is Marconi. Until last year* [1999] *it was the General Electric Company (GEC), a sprawling empire ranging from telephone exchanges to turbines and defence electronics, but with a low growth rate. It sold its Marconi defence-electronics business to British Aerospace, keeping only the name. It spent much of the proceeds buying American companies that make specialised telecom systems the Internet needs. Last month it announced it was becoming almost a virtual company, selling off factories in the Midlands and Merseyside making the widgets for its telecom business and outsourcing its supply of such equipment. Ten years ago news that GEC was selling off factories employing 3,000 workers would have produced shock-horror headlines about job losses. Today it is an everyday story of outsourcing and adaptation to change by British manufacturing,"* (Economist, 2000b). It nearly bankrupted the company, and would have done so, but for some fortuitous bank lending arrangements. Weinstock is reported to have said of the management team that replaced him: *"I'd like to string them up from a high tree and let them swing for a long time,"* (Roberts, 2003). From a company that employed 40,000 in 1995, the workforce had fallen to 4,500 in 2005.

John Kay argued that when managers lose sight of the basic function of their business, trouble lies ahead. *"Successful businesses are more effective than their competitors in delivering goods and services that their customers want. They add value if their superior delivery enables them to command a premium price or if they design their operations in such a way that they meet these needs at lower cost. The job of the corporate executive is to achieve these objectives. These points seem so basic to any understanding of business that one feels embarrassed about writing them down. If they are worth repeating, it is as a reminder to those who have been reading John Mayo's account of his stewardship of Marconi in recent issues of the Financial Times. As I see it, Mr Mayo has a quite different perception of his role, in which the director of a company is a meta-fund manager, managing a portfolio of businesses for his shareholders. His function differs from that of an investment trust manager only in that the investment trust manager buys and sells stakes in companies while the company manager buys and sells the companies themselves. And – as with an investment trust manager – the executive's job is to buy cheap and sell dear. It is on his success in doing so that he believes he should be judged. Since the costs of buying and selling companies are much higher than the costs of buying and selling shares in*

companies, great skill and fine judgement are required to make money this way. Unfortunately for Marconi's shareholders, Mr Mayo and his colleagues lacked those qualities. They bought telecommunications companies at very high prices and they and successors will have to sell them at lower ones. But the problem is not just that they did the job badly. It is the wrong job...Perhaps we shall move into an age in which senior executives again understand that managing companies is not about mergers, acquisitions and disposals but about running operations businesses well; and that corporate strategy is about matching the capabilities of the business to the needs of its customers," (Kay, 2002).

The Marconi story in part reflects the change in economic conditions from a boom and a bull market situation to one of recession and a bear market, and a failure in market sentiment when shareholders (and other stakeholders such as lenders) sell or withdraw funds. The failure of Enron in 2001 is another example of a major company collapse. It had been the seventh largest capitalised corporation in the USA, which was in part due to the end of the 1990s bull market. *"Enron is a bull-market machine. Its investor relations and culture – even its business model – were ideally suited to the confidence and ready money that pervaded Wall Street in the 1990s...analysts were not analysing, they were believing. They overlooked signs that there might be trouble because they were personally enthused...*[Enron] *believed that its destiny was to transform itself from a traditional pipeline company to a free-wheeling dotcom,"* (McNulty, 2001: 13). Enron was an icon for management writers who emphasized radicalism over incremental change and creativity over control. The *"snag is revolutionists are very difficult to control ...The company's senior officials appear to have created a capital structure that exposed it to risks that were systematically hidden from shareholders,"* (London 2001: 16). London reviewed several management writers that praise aspects of Enron's radicalism, one of which had claimed that the company's ability to create market confusion was its secret for competitive advantage! But was it legal?

The story of Ford CEO, Jac Nasser's removal by the non-executive Chairman, Bill Ford, after adverse business results (and some bad luck, such as September 11th and the recall of 13 million Firestone tyres, as well as expensive acquisitions outside Ford's core areas, notably KwikFit) is told in Burt (2001). Bill Ford became the new CEO (and remains chairman) in November, 2001. Following on the success of re-structuring the European operations the way forward is to: *"execute the basic business or a back to basics strategy. The 45-year-old is seen internally, but less so among analysts, as a better choice than the hard driving Mr Nasser to concentrate on core activities and repair tattered relations with employees, dealers and suppliers. His business formula is simpler than Mr Nasser's: if you make good cars and control costs, sales and profits will follow. Mr Nasser had a grander vision. He saw little incremental growth from assembling cars and sticking them in showrooms. The real potential was in developing services – from finance to recycling – to give Ford revenues over the entire life of any vehicle it sold. In the end, that effort was too much, too soon for the board and Ford family...*[Bill Ford must] *guide a low-margin manufacturer through restructuring and recession,"* (Burt: 32).
    "In a mature business with a high market share, how do you continue to generate growth in revenues and earnings? If wide-ranging diversification is ruled out, the secret must lie in expanding into adjacent businesses in which the company's brands and skills offer competitive advantages. As a book from the Bain consultancy

[Zook, 2001] *points out, this is one of the most demanding challenges in modern business...a useful tip in Bain book's conclusions...do not redefine the core without a clear vision and set of strategic principles on which the management team agrees,"* (Martin, 2001c: 21-22).

"Ford spearheaded the transformation of the pickup truck from a working vehicle to one that millions of families wanted in their driveways. The F-series truck remains the US's top selling vehicle with sales almost double the Toyota Camry, the most popular car. The F-series made up almost one-third of Ford's total US sales in 2004, its best year. In addition, Ford poured resources into hammering together a global luxury-car group. Having bought January in 1989, it added Aston Martin, Volvo and Land Rover over the next 11 years. But it took its eye off the bread and butter North American car business. It allowed the Taurus, for years the best selling car, to age, then further damaged the brand by pushing it into car rental and other fleets. Closure this tear faces the Atlanta plant that builds the Taurus," (Simon & Mackintosh, 2006).

Alan Mulally from Boeing was appointed as a new chief executive in September, 2006. However, there remained a market perception that the company is likely to default on its bonds, or file for bankruptcy, within five years (Simon *et al.* 2006). The last turnaround plan, The Way Forward, involved the closure of 14 factories and 30k job losses, but Ford is still relatively bureaucratic and has been slow to renew its models (see new product development).

It should be clear from all this that the power of a CEO is limited. If the CEO is able, then a primary role is to ensure a board is fully involved in strategy debates. This may involve strategy workshops and away days. If differences exist about the overall purpose of the company at board level, then strategy events can be traumatic affairs, and are likely to result, at best, in only conditional, and worse, partial, support for proposed or existing strategy. The composition of boards can also be affected by shareholder battles to take control at general annual meetings to change strategy to increase share price by, say, restructuring and the disposal of assets, and so forth. Large dissident shareholders are sometimes called corporate raiders – these are typically wealthy individuals or groups who purchase shares and offer an alternative for all shareholders to vote on. Proxy battles where dissident shareholders try to replace sitting directors by election are rarely successful (Parker, 2005).

Another issue for corporate governance is privately-owned versus publicly owned companies. While the success of the former is manifest; the success of the privately-owned medium sized companies in Germany, known as the 'Mittelstand', on which Germany built its reputation for engineering capability, is well known. Some publicly-owned companies such as Virgin have gone back to private ownership. However, there is a prevailing view in much of the financial press that publicly quoted companies make governance more sensitive to the need for external change, especially when a majority of the shares is held by financial institutions (Milne & Mackintosh, 2005). Although this may encourage short-termism if the institutions pressure boards to deliver short-term performance rather than invest in longer-term drivers of performance (see the financial perspective).

An emerging concept is enterprise governance. In part this reflects the climate after the collapse of Enron, WorldCom and the story of Marconi. It is defined in an International Federation of Accountants report as *"the set of responsibilities and*

practices exercised by the board and executive management with the goal of providing strategic direction, ensuring that objectives are achieved, ascertaining that risks are managed appropriately and verifying that the organization's resources are used responsibly (Information Systems Audit and Control Foundation, 2001)," (PAIB (2004: 4). It is argued that while board mechanisms are in place to ensure good corporate governance there are no comparable measures to ensure that strategy receives the same attention. CIMA has joined forces with the International Federation of Accountants (IFAC) to release a major report on enterprise governance (CIMA, 2004): this includes an analysis of corporate successes and failures in 27 case studies in 10 countries (CIMA proposed a Strategic Scorecard as a means for avoiding the sort of strategic failures that were apparent in the case studies).

corporate identity (see corporate image & identity)
A communicable expression of an organization's image that is consistent with its purpose.

corporate image & corporate identity (see organizational culture)
Corporate image is an image of an organization held by its stakeholders. It is influenced by corporate identity. While the former is the image held by the organization's publics (including stakeholders), while the latter concerns the organization's ability to influence that image: *"An organization's identity is its sense of self...it is unique...formed by an organization's history, its beliefs and philosophy, the nature of its technology, its ownership, its people, the personality of its leaders, its ethical and cultural values and its strategies...difficult to change...is the core of an organization's existence, (19)...Corporate image is in the eye of the receiver...simply the picture that an audience has of an organization through the accumulation of all received messages...Both intentional and unintentional messages get through to audiences all the time,"* (Ind, 1990: 21).

A related function is 'public relations', where relations with different audiences or groups, called 'publics', are managed to enhance image, manage identity, and which may involve explaining the organization to influential people. As such, this function is about enhancing the context in which people, especially stakeholders, think about an organization, its products and services. A related term to corporate image is 'corporate reputation'. Gray & Balmer (1998) described the former as an *"immediate mental picture that audiences have of an organization. Corporate reputation, on the other hand, indicates a value judgement about the company's attributes,"* (697). They argued that reputations are formed over time, whereas corporate images can be fashioned more quickly through communications programmes.

The importance of image and identity to that stakeholder group, employees, is paramount to commitment and group loyalty, which are powerful altruistic forces that condition employee goals and the cognitive models they form of situations (Simon, 1993: 160).

One of the largest corporate communications firms is the UK's WPP, which is now the second largest marketing group in the world. It is actually a large conglomerate of many semi-independent companies, so that the firm is large and diverse enough to be able to work for competing clients at the same time. Sir Martin Sorrell, CEO, observes: *"Unlike accountancy firms or consultancy companies or investment banks,*

which operate as single brands and sort out a conflict at the centre, we have many brands, operating independently with their own authority, so that there is no risk of conflicts among our operating companies. We often have very complex arrangements to ensure those Chinese walls are enforced. You do that by physical audit, financial audit, by ensuring geographical separation of people and ensuring people don't work on conflicting business unless there is a strict and significant cooling-off period," (Kirchgaessner, 2007).

A similar idea to corporate image is the employer brand, which should be consistent with strategy, and managed as carefully as a product brand. *"That big, imprecise, all-encompassing notion of brand matters a lot, whether it is your personal brand, your products' brands or your employer brand. In a world where consumers make emotional connections with companies, brands rule. If, as an employer, you want to bring in the best new recruits you need to offer them something attractive - and not just in terms of the financial package. You need to present a coherent and plausible sense of yourself as an organization. That means having a robust employer brand: know who you are, and being able to tell a good story about yourselves. This happy scenario will not come about by chance. It requires leadership and a sustained communications effort. You may need to bring to the surface your organization's values and attitudes that have remained tacit or undiscussed until now,"* Stern, 2009).

corporate-level strategy (see corporate strategy)
A corporate-level strategy is a corporate centre's strategic management of a multi-divisional or multi-unit organization.

corporate parenting (see structure, centralisation)
Corporate parenting is when a corporate centre acts like a parent: it nurtures its dependent businesses to create a unique fit between the corporation's capabilities and the critical success factors of the individual businesses. A corporate headquarters should add value so that the combined business produces more value than would be the case if the individual corporate businesses or business units were run as separate businesses. A corporate parent is a corporate headquarters, and/or those parts of the organization that are designed to support the activities of the individual businesses, which make up the corporate organization.

Successful companies create value through a unique fit between the capabilities of corporate parent and the critical success factors for the individual businesses (Goold *et al.* 1994; Campbell *et al.* 1995). The parent may strategically manage and exploit common capabilities, customers, technologies, competences, publics among the units; implement effective management systems, and allocate resources, including capital and people. However, the relationship between a centre and its subsidiaries is often difficult to manage if 'parent' and 'children' are insensitive to each others' needs. Some of the literature suggests the role of the corporate centre ought to be minimal; for example, keep its distance as in the case of SBUs, where businesses are allowed a strong measure of strategic autonomy (especially for overseas' subsidiaries when local conditions and national cultures are considered important). Other observers emphasize synergy: Goold *et al.* argued a parenting advantage exists when the parent company adds value to a business unit, and does so more than any other potential parent is likely to do. They explain four types of parental value creation: stand-alone

influence (each subsidiary is a profit centre, using basic performance targets, control by the centre is monitored and value creation by the centre is achieved through appointing managers and approving capital expenditure); linkage influence (value created through improved cooperation and synergy); central functions and service (provisional of administrative and managerial services); corporate development (value created through portfolio management).

The following note on the alignment of strategy and structure is largely taken from Kaplan & Norton (2006: ch. 2), which they based on Chandler (1990). At the time of the Industrial Revolution, enterprises were generally small and focused, producing a narrow range of products for local customers. Adam Smith's pin factory, for example, was simple: it involved an owner-entrepreneur with perhaps a supervisor and a small number of hired workers. During the nineteenth century more complex capital intensive industries, such as primary and fabricated metals, chemicals, petroleum, machinery and transportation, grew up. The dominant corporations in their industries enjoyed large economies of scale from their purchasing, manufacturing, marketing, distribution, and product development activities. The centralised functional organization evolved. Production and sales performed the primary value-adding activities. Finance coordinated the flow of funds and provided senior executives with information to monitor performance to facilitate the allocation of resources. Specialised departments were needed for purchasing, R&D, logistics, engineering, legal, real estate, human resources and public relations. The senior management team was comprised of the chairman, chief executive, and the heads of the major functional departments; this met regularly to coordinate activities across the functional departments. The functions build up considerable experience and expertise, and offered excellent opportunities for coaching, mentoring and promotion from within. Successful industrial companies grew in the early twentieth century by acquiring competitors (horizontal growth) and through the vertical integration along the supply chain, to better coordinate the flow of materials and support functions. Companies expanded geographically to reach customers in distant markets, and many diversified into new product lines and market segments.

In the words of Kaplan & Norton (2006) - "*The management challenge was to continue to offer attractive, innovative, low-priced products to a broad customer base, without collapsing from the complexity of operations that were now internalised within a single corporation,*"(*ibid.*) "*The executives in the central office became overworked and their administrative performance less efficient. These increasing pressures, in turn, created the need for building or adoption of the multidivisional structure with its general office and autonomous operating divisions,*" (Chandler, 1962: 297). Companies such as DuPont, GM, GE, and Matsushita, introduced a new organizational form in the 1920s and 1930s – the multi-divisional (M-form) company. This is a corporation structured into divisions focused on specific product lines, and/or geographic regions. Each division brings together employees with skills from all the business functions, to work together to develop, build, and deliver a specific product line sold to customers in defined market segments. A general manager headed each division, assisted by a staff that included the heads of functional activities for the division. Each division looked similar to the structure of the original enterprise, except that the general managers heading each division are middle managers, reporting to the senior executives at the corporate headquarters. These executives no longer ran the divisional businesses, but instead their role was to

evaluate the performance of the operating divisions, and perform strategic planning and resource allocation of funds, facilities, and personnel to the divisions. The corporate office now had staff who had specialised skills; they advised and coordinated the work done by their counterparts in the operating companies, and supported the work of the executives. The M-form organization had disadvantages: the product divisions lost some of their scale economies and learning curve effects; customers could become confused when faced with multiple salespeople promoting a narrow product line, when they had thought they were dealing with a single corporate entity, and corporate expertise is diluted when spread over heterogeneous units.

Mid-century saw the rise of the conglomerate: rather than achieve growth through expansion of core businesses, technologies, and capabilities or through acquisition in related businesses and industries, several businesses grew by acquiring and merging unrelated businesses. Firms, such as ITT, Litton Industries, and Textron, developed as collections of autonomous operating companies, which offered no apparent synergies. The conglomerate aimed to reduce the risk of business cycles, by investing in a diversified portfolio of businesses. It may also be true that the leaders of these firms were able to use their skill and experience to create more value from several companies than a single one. Conglomerates emerged in many countries, including the developing world, encouraged by government policies such as trade and capital barriers that limited foreign competition. These business groups, typically headed by a skilled entrepreneurial family (for example, the 140-year old Tata group in India), substituted for infrastructural gaps, such as poorly functioning labour and capital markets (Khanna & Palepu, 1997).

When value is created by a business group's local operating companies the question arises about how a corporate centre can effectively add value. Some corporations have become successful by operating effective management systems among their business units, with all managers following similar business strategies: for example, a company like Cisco has exceptional skills for integrating technology companies procured in acquisitions. Others are effective at managing innovative product development throughout a collection of companies by following product leadership strategies. At the other extreme, some headquarters are adept at managing mature, commodity type companies to foster continual cost reductions, process improvements, supply chain management, and cooperative labour relations. Several companies have become successful by leveraging a well-known brand across diverse businesses: Disney has used its brand across theme parks, television, and retail outlets, while Virgin has done something similar in using its brand, which is associated with fun and a particular lifestyle, for a variety of businesses in trains, resorts, finance, soft drinks, music, mobile phones, wines, publishing, and bridal wear. Other companies have exploited their customer relationships to offer one-stop shopping for a wide variety of services within their industry: Microsoft and eBay have established an industry-wide platform for a wide array of services. In these examples individual businesses are likely to be worth far more within the corporate structure, than if they were operating as independent units.

If the corporate headquarters, however, does not add value that exceeds the cost of its operations, perhaps because it delays decisions, does not respond to emerging local opportunities and threats, and makes errors in resource allocation and direction, perhaps because of its lack of contact with local markets, technologies, and

competitors. The down-sizing of the corporation and the divestment of non-core business, which really got under way during the 1980s, was a result of increased M&A activity facilitated by innovation in capital markets, resulted in smaller corporate headquarters and with a reduced role for the corporate office.

Many companies have attempted to solve the coordination problem by adopting the matrix organization. ABB, a global electrical products company, made the product line-geographical matrix approach popular in the 1990s, when it organised its hundreds of local business units around the world. In the new structure, each local business unit reported to both a country executive and worldwide line-of-business executive. This allowed the corporation to achieve the benefits of centralised coordination, functional expertise, and economies of scale for product groups while maintaining local divisional autonomy and entrepreneurship for marketing and sakes activities. Matrix organizations have proven difficult to manage because of their inherent tension between the interests of the senior executives responsible for managing either a row or a column of the matrix. A manager at the intersection struggles to coordinate between the preferences of his 'row' and 'column' managers, leading to new sources of difficulty, conflict and delay. The ultimate source of accountability and authority in the matrix organization is ambiguous.

Newer (often called post-industrial or modern) forms of organization have been proposed. These include virtual or networked organization that operate across barriers traditional boundaries (Raynor & Bower, 2001) and Velcro organizations that can be snapped apart and reassembled in new structures in response to changing opportunities (Bower, 2001). However, a purely organizational structure solution to balancing the tension between specialization and integration remains elusive. The McKinsey 7-S model adds five other elements to strategy and structure. The whole (holistic) context for structure and corporate strategy, especially how the centre manages managing, is obviously important. Kaplan & Norton (2006) proposed that firms need the strategy map and the balanced scorecard to achieve what they call 'total strategic alignment'. A dynamic capability might do the same thing; this could involve a scorecard approach, or a hoshin kanri one, when strategically linked objectives are used to align local strategies and plans to corporate priorities.

corporate planning (see strategic planning)

corporate renewal (corporate transformation) (see re-positioning)
This involves bringing major change to a whole entity, perhaps in response to a perceived management crisis and where new senior management has been introduced. Major changes in the environment usually require major strategic or directional change. For example, changes could include new global competition, market liberalisation, deregulation, privatisation, new technologies that change behaviour such as the Internet revolution, changes in stakeholders and their influence on purpose. There could be pressures on costs and profits, as economies move through cycles of prosperity and recession, and management is unresponsive and too conservative to respond in time, so boards intervene to change leadership. Measures to cope with these events included portfolio restructuring, with attendant M&A activity, downsizing and BPR, and cost reduction programmes. Doz & Thaneiser (1999) argued that behavioural change is necessary and that successful transformations encompass three key dimensions: (1) defining corporate focus and

ambition; (2) changing the 'rules of the game' inside the organization; and (3) energising people for new efforts. These things reflect current thinking that is in favour of the intangible and HRM aspects of management.

corporate social responsibility (CSR) (see business ethics)
Corporate social responsibility is the view that large (especially international) organizations should fulfil a corporate (and world) citizen role**.** This maintains that large organizations should accompany the pursuit of profit with good citizenship. It means achieving higher standards of business morality including relations with the developing world and the environment. However, a CSR dimension to strategy does not necessarily create value from virtue (for an account of pros and cons, see Vogel, 2005). It is important for global brands that do not want to be understood as hostile either to people or the planet, (Tomkins, 2001b; Klein, 2001). A related concept is society, defined by the EFQM (1999) as *"all those who are, or believe they are, affected by the organization, other than* [an organization's own] *people, customers and partners"*. Corporate or company citizenship is a proactive concept, where an organization should anticipate any possible adverse effects of its business on the wider community and act to address them. This can involve PR, see 'corporate image'. To see the Toyota policy for the environment and how it was deployed, see 'mid-term plan'.

corporate strategy (see strategy, alignment of corporate strategy and structure)
Kenneth Andrews authored the seminal *The Concept of Corporate Strategy* (1987) in the 1960s to accompany *Business Policy – Text and Cases* written by faculty (including Andrews) at the Harvard Business School (Learned *et al.,* 1965) - business policy had been taught at Harvard since the 1920s). Corporate strategy *"emerged, Andrews tells us, from business policy which is 'study of the knowledge, skills and attitudes constituting general management'. What corporate strategy added to this elevated perspective was the capacity to conceive of the organization as a whole...as an entirety purposefully relating to the world about it...General management, Andrews defines, in its simplest form, as 'the management of a total enterprise, or of an autonomous sub-unit',"* (Moore, 2001: 6-7). Around the same time, Igor H. Ansoff published his seminal text, *Corporate Strategy* (1965), about corporate expansion and diversification (see growth strategies).

The terms 'business policy', 'corporate strategy', and 'strategic management', are all used today for the titles of strategy textbooks, and sometimes for courses, although increasingly strategic management is preferred. In 1980 the Strategic Management Society, and its Strategic Management Journal, were established in the United States. There had been a Business Policy and Planning Division of the American Academy of Management since 1970. Within strategic management corporate strategy is used to refer to the management of a corporate-level strategy for an enterprise as a whole, by a corporate headquarters or centre to operate multiple businesses within the same corporate entity. It is thus different to 'business strategy', which is strategy at the single business level (which is typically focused on a single market or industry).

corporate synergy (see corporate parenting)
Corporate synergy is a corporate performance produced by the whole organization that is greater than would be expected from the sum of its parts. Synergy is a quality that results from a combined or co-ordinated effort to produce an effect that is greater

than would otherwise be possible if effort was were carried out in isolation. In his seminal book, *Corporate Strategy*, H. Igor Ansoff (1965) emphasized the importance of *"the 2+2=5 effect to denote the fact that the firm seeks a product-market posture with a combined performance that is greater than the sum of its parts,"* (p. 72). It is sometimes used to describe the advantages of related diversification that takes advantage of economies of scale or scope, and where the divisions of a large organization might share common support functions provided by a corporate centre. It is, of course, a primary aim of strategic management to align the individual organization's parts so that effort and resources can be effectively managed to sustain the longer-term purpose of the whole organization.

corporate transformation (see corporate renewal)
corrective action (see diagnostic objectives)

cost leadership generic strategy (see competitive strategy, price)
This is a cost-based competitive strategy that involves having a lead in terms of lower costs per unit produced than the rest of the participants in the industry.

crafting strategy (see the emergent view of strategy)
creative destruction (see innovation)

credit crunch (see leadership, Icarus paradox, corporate governance, stockmarkets)
The credit crunch is the most serious world financial crisis since the Great Crash of 1929. This crisis was precipitated by rising interest rates in the sub-prime lending sector of the US housing market; banks and mortgage companies had lent substantial sums to people who had bad credit histories and/or insecure sources of income; many borrowers had bought houses expecting values to rise, so that they would in the future be able to refinance their mortgages at a profit. But rising interest rates dampened the housing market and many people found themselves with negative equity and were unable to sustain interest payments. The risk to lenders was managed (at a profit) by securitising house loans, and selling these on as repackaged securities to other banks. When the sub-prime market collapsed, the eventual knock-on effect spread like a tsunami across the world's financial markets; bank assets were down-valued or were written off, and the availability of new loans dried up (the credit crunch) Governments have responded in a number of ways, but most importantly by making funds available to the banks. Most of the world's surplus savings are held in United States government securities; if the US government funds its additional lending through a large increase in its securities, then it is possible that that their value will be reduced, and confidence in the dollar as an international currency will fall significantly.

Since the 1940s, other recessions and financial crises have occurred at intervals ranging from four to ten years, but *"there is a profound difference: the current crisis marks the end of an era of credit expansion based on the dollar as the international reserve currency. The periodic crises were part of a larger boom-bust process. The current crisis is part of a super-boom that has lasted for more than 60 years…Globalization allowed the US to suck up the savings of the rest of the world and consume more than it produced. The US current account deficit reached 6.2% of gross national product in 2006. The financial markets encouraged consumers to borrow by introducing ever more sophisticated instruments and more generous terms.*

The authorities aided and abetted the process by intervening whenever the global financial system was at risk. Since 1980, regulations have been progressively relaxed until they have practically disappeared. The super-boom got out of control when the new products became so complicated that the authorities could no longer calculate the risks and started relying on the risk management methods of the banks themselves. Similarly, the rating agencies relied on information from originators of synthetic products...What started with subprime mortgages spread to all collateralised debt obligations, endangered municipal and mortgage insurance and reinsurance companies and threatened to unravel the multi-trillion-dollar credit default swap market. Investment banks' commitments to leveraged buyouts became liabilities. Market-neutral hedge-funds turned out not to be market neutral and had to be unwound. The asset-backed commercial paper market came to a standstill and the special investment vehicles set up by banks to get mortgages off their balanced sheets could no longer get outside financing. The final blow came when inter-bank lending, which is at the heart of the financial system, was disrupted because banks had to husband their resources and could not trust their counterparties. The central banks had to inject an unprecedented amount of money and extend credit on an unprecedented range of securities to a broader range of institutions than ever before...Credit expansion must now be followed by a period of contraction, because some of the new credit instruments and practices are unsound and unsustainable," (Soros, 2008).

What role did strategic management play in the failure of the banks? Some influential people had seen the danger. Paul Volcker, the former Federal Reserve chairman, had said in a well-publicised speech in February, 2005: *"Circumstances seem to be as dangerous and intractable as any I can remember, and I can remember quite a lot. What really concerns me is that there should be so little willingness or capacity to do anything about it,"* (Stern, 2008). It's not that the banks shouldn't have known about the risks. There seems to have been a move away from what business historian Alfred Chandler in his book, *The Visible Hand – The Managerial Revolution in American Business*, saw as a long-term to a short-term view: *"...in making administrative decisions, career managers preferred policies that favoured the long-term stability and growth of their enterprises to those that maximised short-term profits,"* (1977: 10). However, Chandler's following sentence was, *"For salaried managers the continuing existence of their enterprises was essential to their lifetime careers."* It may be that top managers, especially in the financial sector, no longer think of 'lifetime careers', especially as it seems, the tenure of a CEO is growing shorter than it was.

A question was asked in an internal Lehman Brothers memo of June 8, 2008, just months before the bank collapsed – *"Why did we allow ourselves to be so exposed?"* The Lehman business model was premised on risk management – according to Dick Fuld, Lehman's then chief executive: *"...'I expect everyone at the firm to be a risk manager,' Mr Fuld declared, 'All 12 of us* [on the executive committee] *are focused on all parts of the business. It's all about risk management. If it's just me then we're in trouble.'..."* (*Euromoney* magazine, July 2005: cited in Stern, 2008b).

"Always chasing the next deal, too many businesses neglect the boring but crucial issue of management. As Tom Stewart, the former Harvard Business review editor

and now chief marketing and knowledge officer for consultants Booz & Co, points out, the current financial crisis has its origins in plain bad management.

'It's no accident that Goldman Sachs – which of all the investment banks is the one that appears to value management most – has survived this crisis best,' he says. 'I bet that each of the players and victims in this credit crisis began to small the rot in their mortgage-derivatives books at about the same time, within weeks, even days of each other. But who managed the crisis – and who just looked for a deal that would save the year?'

…Yes, greed is bad, and stupidity is bad, but bad management is worst of all," (Stern, 2008b).

critical business issues (see Hoshin Planning)

critical success factors (CSFs) (see diagnostic objectives, KPIs)
CSTs are the factors that primarily account for an organization's success in achieving its strategic purpose. The term was put forward by Rockart (1979), based on work at MIT into executive goals and how executives might focus on critical measures and reports vital to the achievement of goals. This built on earlier work of Daniel (1961) who had written about success factors, and Anthony *et al.* (1972) who had written about key economic variables for management control. Rockart's article summarised the ways that executives identified the information critical to the organization for achieving its goals. Given the pressure on time, the issue is about how executives can manage strategically, to ensure that the critical things that determine success get done. This is at the heart of strategic management and is important to making sure strategy is realised at an operational level.

Daniel (1961) noted that because industries differ, the critical factors for success also differ. So, for example, in the automobile industry, styling, an efficient dealer network, and tight control of manufacturing costs are paramount. For food processing, new product development, good distribution and effective advertising, are the major success factors. In life assurance, the development of agency management personnel, effective control of clerical personnel, and innovation in creating new types of policies are important. *"The CSFs thus are* [following Daniel], *for many businesses, the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization. They are the few key areas where 'things must go right' for the business to flourish. If results in these areas are not adequate, the organization's efforts for the period will be less than desired,"* (Rockart op cit. 85).

It is necessary for senior management to control the CSFs and give them careful and constant attention in terms of their current status of performance. A CSF should inform reports at all levels of management and form the basis of any organization-wide control system.

CSFs differ not just between industries, but also for particular companies' strategies and managers. Management planning and control systems must be tailored to reflect these differences. Thus Rockart argued that CSFs are a function of four things: (1) the structure of a particular industry (following Daniel); (2) competitive strategy, industry position and geography; (3) environmental factors (Rockart gives the example of the abrupt rise in oil prices in the 1970s), and (4) temporal factors

(internal concerns that at different times require special attention). The *"CSF method centres...on information needs for management control where data is needed to monitor and improve existing areas of business"* (Rockart *op cit.* 88). Rockart wrote that CSFs can apply to both monitoring current results, and to building for the future, such as a change programme to adapt organization to a perceived new environment. He suggested that CSFs make key activities explicit and offer up strategic insights; make management reports more meaningful to executives; determine overall priorities; and go beyond a mere shared understanding of purpose to a focus on the critical factors that achieve purpose.

Rockart used an example of a communications company, which was active in the development of state-of-the art microwave technology. This company had identified seven CSFs and for each CSF associated measures (or indicators):
(1) Image in financial markets: P/E ratio.
(2) Technological reputation with customers: order/bid ratio, customer perception interviews
(3) Market success: change in market share (all products)
(4) Risk recognition in major bids/contracts: company experience with similar new or old customer, prior customer relationship
(5) Profit margin on jobs: bid profit margin as ratio on profit on similar jobs in this product line.
(6) Company morale: employee turnover, absenteeism etc., informal feedback
(7) Performance to budget on job: job cost budgets/activities

Bullen & Rockart (1981) suggest that once corporate goals are developed from strategy and objectives, and passed to managers, then CSFs must be worked out prior to setting measures. Kaplan & Norton (1996b) seem to suggest that for the balanced scorecard, CSFs can be worked out from the strategy map. The idea of CSFs is analogous to core competences. For example, some writers have asserted that CSFs are activities where it is necessary to excel in relation to the competition, and in this sense a CSF might be thought of as a distinctive core competence. The CSF idea also finds echoes in Kaplan & Norton, when they made a distinction between strategic and diagnostic objectives. The former are concerned with cause-and-effect relationships in the strategy map and constitute measures of critical success. Diagnostic objectives are those that are more concerned with general operational effectiveness and the health of the organization. Senior management, they argued, should concern itself primarily with strategic objectives and only involve itself with diagnostic objectives through management by exception, when diagnostic objectives become critical and special attention is required. This strategic/diagnostic dichotomy is similar to a distinction between hoshin and cross-functional QCDE objectives in hoshin kanri. Hoshins are frequently based upon a CSF; where there is an urgent need to make significant progress across the organization. QCDE objectives are incremental, however, designed to drive continuous improvement (kaizen) in cross-functional activities and processes.

CSFs may also be thought of as core business processes, as the seven point list above implies. However, CSFs require a degree of managed change that is greater than for the routine management of core processes which involves monitoring KPIs in an essentially diagnostic way to ensure the core processes are managed effectively. CSFs, on the other hand, are concerned more with non-routine actions, sometimes

dramatically so; say, to quickly seize opportunities and combat competitive and other environmental pressures. CSF may be translated or converted into KPIs: CSF may be understood as longer-term and/or general, business processes, which when translated into specific (and selective) shorter-term activities are represented as annual KPIs. In hoshin kanri an annual hoshin might be an annual policy based on a CSF, while the incremental improvement objectives are KPIs.

The idea that management should focus on key performance measures and indicators to avoid information overload was also considered by Likert (1961), and Drucker (1955: 60) (1974) – who argued strongly against the idea of a single objective, instead objectives should be set for market standing, innovation, manager performance and development; worker performance and attitude; financial and physical resources, productivity, public (social) responsibility, and profitability. Kaplan & Norton (1996) argued that the balanced scorecard should comprise only of a four part set of 'strategic' objectives, and they distinguish these from other important, although essentially diagnostic, objectives. Senior managers should be proactive only with the former and become involved with the latter by exception. The question of what makes a CSF relevant for senior level proactivity is a moot one. In Kaplan & Norton it is possible to infer that it is competitive difference that matters: a senior level must continuously test the relevance of its vision and strategy in relation to changes in the market. Thus there are two sets of CSF: both crucial, but one normally more immediate than another.

Ansoff (1965), in specifically addressing the problem about how to directly measure long-term profitability, argued that it should be the characteristics of a firm that contribute to this profitability that should be measured. He lists seven measures: the growth of sales, relative market share, earnings, earnings per share (to attract capital), new products and lines, increased customers, and cycles in capacity. These are only partial indicators of potential long-term profitability. Ansoff noted there is also a need for direct indicators of internal efficiency. These are essentially diagnostic and lower level yardsticks, but are also proxies for measures of the longer-term dynamics of the firm: turnover, depth of skills, and age of assets. Today, I should expect to see indicators of customer satisfaction as well.

However, the CSF concept tends to be used to mean core business processes. Hines *et al.* (2002) define it as "*those key external or internal elements that a business needs to focus on for success, such as market growth or employee involvement,*" (57). They use it as an early stage step to identify "*a limited number of key areas where things must go right for the business to succeed and flourish. They should be directly linked to, and influenced by, the specific factors impacting your company or value stream,*" (13). These 'areas' are not capabilities but are the underlying issues that require an organization to determine its core processes in particular ways.

critical theory (see postmodernism, paradigm)
Critical theory is a label given to perspectives from western Marxism (Held, 1980), and includes writers such as the Frankfurt school of political philosophy (including Habermas), who placed an emphasis on 'critical reflection'.

The label 'critical studies' also applies to how scholars in general (not just Marxist ones) examine truth claims, especially those that are based on doubtful assumptions

and partial analyses of complex phenomena. *"Excessive truth-claims based on extreme assumptions and partial analysis of complex phenomena can be bad even when they are not altogether wrong. In essence, social scientists carry an even greater social and moral responsibility than those who work in the physical sciences because, if they hide ideology in the pretence of science, they can cause much more harm,"* Ghoshal (2005: 87). Scholars and other analysts have to abstract from (or simplify) complex realities to reach meaningful conclusions (Loasby, 1976). Management researchers therefore should be transparent in the assumptions and the associated logic they use to reach their conclusions. Qualification and reflexive accounts are usually necessary.

CRM (see customer relationship marketing)

cross-functional management (structure) (see QCDE, hoshin kanri)
Cross-functional refers to horizontal management and/or structure that is normally used to work across the functional divisions of an organization. Departments are typically organised around the specialist areas of the business and these are known as functional areas. Cross-functional activity, on the other hand, typically works across these. A large part of Japanese successful strategic management is down to effective cross-functional structure and the involvement of executives in managing cross-functional objectives, and which takes place concurrently rather than sequentially. *"Japanese experts define cross-functional management as a 'management process designed to encourage and support interdepartmental communication and cooperation through a company – as opposed to command and control through narrow departments or divisions. The purpose is to attain such company-wide targets as quality, cost, and delivery of products and services by optimising the sharing of work,' [this is] from a definition by the Japanese Union of Scientists and Engineers, Tokyo, 1988,"* (Dimancescu, 1992: 14). *"Many Japanese companies introduced cross-functional structures during the 1960s when they recognised, first, that interdepartmental communication and co-operation were poor and departmental group dynamics were not aligned toward corporate strategy and second, for a specific function such as quality management, department responsibilities were usually unclear and the department lacked the authorisation to act…Toyota recognised that it was necessary to introduce a cross-functional management structure as part of its TQC programme,"* (Channon, 1996: 59).

"This cross-functional management approach looks at job functions that span multiple departments in the company from a company-wide point of view, identifies how the situation should be handled, and creates [a] *mechanism of cross-functional management. The administration of these functions is performed by high-level executives, who also work to maintain consistency with functional management,"* (Koyama, 1996: 193).

The best known example of cross-functional structure began at Toyota in 1961; it was designed to ensure that company-wide quality control worked at departmental level (Koura, 1990; Kurogane, 1993). In fact, Toyota makes a distinction between departments and functions. The latter are in essence cross-functional in the sense they reach across the more specialist departments. Toyota set up formal functional meetings to control and manage core company-wide problems (Monden, 1998). Quality assurance and cost management were regarded as paramount or 'purpose

functions'; while others, including engineering (including product planning and product design), production (manufacturing preparation and manufacturing), and commercial (sales and purchasing), were called 'means' functions. This is similar to Porter's (1985) distinction between 'support' (i.e. purpose) and 'primary' (i.e. means) activities in the value chain. Each function has its formal meetings that are separate from departmental meetings although they have a shared membership. Both types of meetings report to the corporate executive. The flow of the relationship is that functional meetings take cross-functional decisions, which the departments implement, acting in effect as line management to the functions. Once the functional policy is known a department establishes its plans and holds meetings with its sections. The exact shape and membership of the functional meetings vary according the urgency and reach of a functional concern at any one time. The functional meetings constitute a formal and permanent structural arrangement and involve bi-monthly and monthly meetings on quality and cost (although a significant agenda is also required). The immediate purpose of these meetings is to take remedial action on plans and reviews. A more substantial evaluation of progress is done in the middle, and at the end, of the planning year, and this involves the participation of top level, functional, and departmental, managers; the purpose is to provide feedback on the functional policies.

There were six elements to Toyota's business policy:
- Fundamental policy: the business philosophy of top management, which determined the business ethic or fundamental direction of the company.
- Mid-term (five year) plans: expressed as concrete objectives for production, quality, sales quantity, market share and ROI, etc.
- Mid-term policy: the strategy to achieve the plan's objectives. This covers several areas common to the corporation as a whole.
- Slogans: that emphasise the overall purpose of the mid-term plan and an annual slogan to emphasise a particular annual policy.
- Annual objectives set in each function: specific overall measures (ROI, production quantity, and market share); production (rate of reduced manpower to previous year's manpower level); quality (rate of reduction of problems in market); cost (total amount to be reduced, plant and equip investment amount, margin rates of the preferentially developed automobiles), and safety, sanitation, and environment (number of closures for holiday etc).
- Annual working plans in each function: to achieve the objectives; first determined by the appropriate functional meeting, but implemented by the departments' meetings. The President announces the developed functional plans to departments at a start the year meeting.

In the following figure, I indicate four functional management meetings (committees); each with responsibilities for one of four cross-functional areas: quality, cost, delivery, and education/people (see QCDE). These four areas are similar to the areas covered by the four perspectives of the balance scorecard (as indicated in the brackets, below).
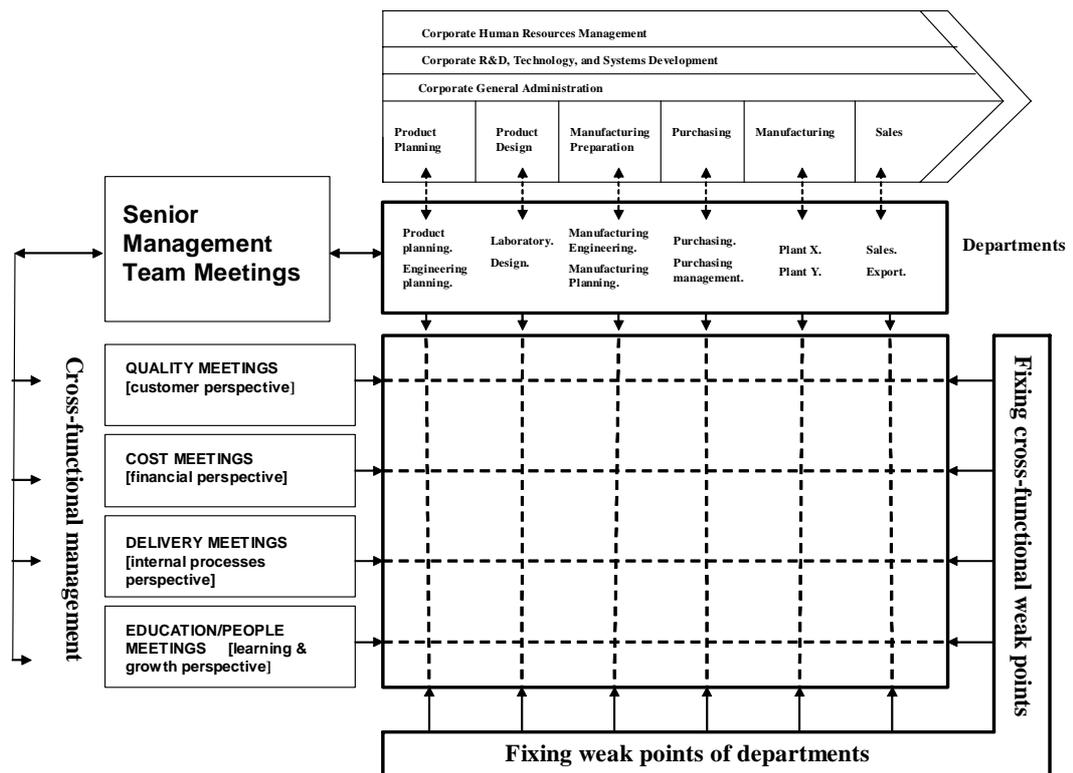
For smaller organizations there may be only one committee. The primary purpose of the committees is to take the mid-term plan and its functional objectives to help determine the annual cross-functional (QCDE) objectives (including hoshins) so that the departments can then take these to draw up their own plans for the coming annual cycle (see FAIR). Towards the end of the annual cycle a top executive audit (TEA) or presidential diagnostic can be used to examine how a firm's business methodologies and management philosophies are used in the key areas of the business (see core business areas).

The QCDE annual objectives provide the departments with the strategically relevant KPIs to drive continuous improvement (kaizen) in daily management. The functional meetings reconcile (as instanced in the Toyota example) and review cross-functional and departmental strengths and weaknesses as shown symbolically in the figure by the intersection of the pecked lines. QCDE functional objectives are primarily incremental and do not necessarily require major changes to routine working, rather the aim is to ensure the departments pay attention to functional priorities during daily management. Where there is an urgent need to accomplish a particular and significant objective, then this is made the subject for a hoshin. These typically require major changes in daily management and are, therefore, limited in number to a very few (see hoshin kanri). The functional committees formulate and review hoshins as well as the progress on the QCDE objectives. The committees ensure that vested, local or departmental, interests do not impede progress on the strategic issues, although the aim is always to achieve this in ways which give due regard to departmental needs. They also facilitate the settlement of any major issues that emerge during annual planning and periodic review. At the top, senior managers are

also likely to think and behave more strategically and help facilitate cross-functional working. It also makes it easier for those in subordinate positions to submit proposals which incorporate cross-functional suggestions.

"Japanese society is often described as a vertical society, and its industries share this structure. Industry has a strong top-to-bottom vertical bind while sectionalism hinders development of horizontal relations...Cross-function management which has cross-functional committees for support can provides the woof to help the company run crosswise...In textiles, the warp by itself remains a thread. Only when the woof is added and when warp and woof are intertwined will there be cloth. In a company, the analogy holds true...Organizational management is possible only through the intertwining of the warp, which engages in management by divisions, and the woof, which engages in control by cross-functional management...

"When we speak of cross-functional management, many topics immediately come to mind...From the perspective of company goals, the main functions are the three functions of quality assurance, cost (profit) control, and quantity control. To these three may be added personnel control. All others are auxiliary functions [subject to vertical control] *defined by the steps to be taken or the means to be adopted. In accordance with the functions to be managed, the company must establish cross-functional committees. For example, a cross-function committee on quality assurance may be established. The chairman must be a senior managing director or a managing director who is in charge of that function. Committee members are selected from among those who hold the rand of director or above (if necessary division heads may be included). The number should be around five. It is not desirable to select committee members only from among those who are directly connected with that specific function. Actually, it is better to have one or two persons from non-related divisions as committee members. Each cross-function committee must maintain a secretariat within the division that handles the function under consideration, and appoint a secretary. The committee must be operated flexibly. When dealing with major functions, the committee must establish regularly scheduled monthly meetings which can engage in the audit of functions under study. The committee may also establish project teams under it. The committee then allocates responsibilities and authority for quality assurance to all affected parties in concrete terms. It creates a viable system of quality assurance and establishes applicable rules. Every month the committee must study the conditions of quality assurance and determine if any claim has been registered against defective products. It must revise and re-determine the allocation of responsibilities periodically. At Toyota the monthly meeting of the cross-functional committee does all these things efficiently. (Please keep in mind that the company has had about ten years of experience in cross-function committees before reaching this stage.) The committee's meeting are formal ones...The committee, however, does not implement quality assurance. Nor does it assume direct, day-to-day responsibility for quality assurance. That task is performed by each of the line divisions in this 'vertical society'. The responsibility of the committee is to let the woof be woven into the warp to strengthen the entire organization,"* (Ishikawa, 1998: 114-116).

Ishikawa noted possible misunderstandings and problems:
- Meetings should not be convened only when there is problem. They are not project teams and ad hoc in nature. But committees are standing committees and have regular meetings. They study the system and provide the woof.

- Both cross-function committee and control by division are necessary.
- Does not include all specialists or affected divisions. Cross-function committees are of a higher order than that.
- Cross-function committees must not be regarded as project teams. If there is a cross-function committee for profit control and profits have not reached an established goal, the committee should not set quotas for the line divisions to reach certain profit goals. These are determined by the line divisions themselves (through MbO).
- Initially, company directors who are named committee members tend to represent only their sectional interests in their capabilities as heads of design, accounting division etc. This must not be allowed to happen and members must strive to build a company-wide perspective from the outset.
- Information must be gathered routinely though all channels of the company if work is to go smoothly.
- Committees must be small in number or disputes are likely and a situation will arise similar to inter-divisional rivalries.
- Cross function committees do not operate smoothly where a there is a tendency for authority to move from top down (especially where a president excises absolute power) – which, ironically is precisely the situation where cross-function committees are most needed!

This binding form of organising structure is rare in western organizations. Senior management committees are used in the West for periodic reviews, but these do not normally set incremental objectives and hoshins (even for hoshin kanri examples of western practice), nor it is usual for high level management to engage directly in auditing activity (especially at lower levels of the organization) for annual reviews. It is possible that western observers tend to see Japanese cross-functional management as too centred on senior management control. So, for example, while no explicit reference is made to cross-functional management (a major shortcoming, for a book about Japanese management) Porter *et al.* (2000) note the *"dominant organizational structure in Japan still fosters continuous and incremental improvement. Central control by the corporate level is overbearing. While the rigid hierarchical structure common to Japanese corporations can be effective in pursuing operational improvement – such as miniaturisation of audio equipment or increasing the yield of memory chips – it dampens real change and innovative thinking,"* (173).

At the time when the Japanese were first introducing cross-functional structure western corporations were moving away from management by committee towards devolved and divisional forms of corporate control (Jantsch, 1967). This may be a reason for the neglect of this form of cross-functional structure in western companies. Matrix organization is the most common form of cross-functional organizing in western firms (this is used by Japanese firms as well). Matrix organising typically involves multi-skilled project team-working, when teams report to more than one business unit. They are useful for relatively diverse tasks, where flexibility is necessary for solving complex issues. Other cross-functional forms of working may be linked into formal and informal networks. Cross-functional working is especially important to corporate-wide learning (especially exploratory learning, such as may be likely in a customer-based environment).

At Cisco Systems the top 500 people, including executive and senior vice-presidents, are organised through cross-functional councils and boards. CEO, John Chambers calls this structure 'cross-functional leadership' (McKinsey, 2009). The councils and boards are based around key strategic areas. The establishment of the Cisco China Strategy Board, a cross-functional executive board of senior leaders across Cisco's global business, was set up in 2008 to develop and achieve Cisco's vision and strategy for China. The company began operations in China in 1994 and currently employs more than 3,000 staff there. The board oversees the exploration of opportunities in public-private collaborations in social and economic development, Cisco's business operations strategy, and the further development of SME and consumer IT market programmes (Cisco, 2008). *"The most important advantage we've gained is a structure that allows us quickly to pull together cross-company functional experts that are empowered to make decisions and drive execution that's good for both our customers and our shareholders...I am definitely from the command-and-control school of management...but...Cisco's collaborative leadership model is...working successively,"* (a senior executive, Cisco 2009).

crowding out
This is where the effort, time, and resources given to organizational activities and considerations important to longer-term existence become secondary in practice to the immediate and pressing needs of current operational problems. This has been called 'fighting alligators in the swamp' syndrome (Mintzberg, 1990). Management systems and reviews should ensure that strategy progresses and organization-wide priorities are not neglected. So that when pressing events intervene then it is clear to effected parties what these imply for strategy and priorities.

CRM (see customer relationship management)
CSFs (see critical success factors)
CSR (see corporate social responsibility)

cultural fit (see organizational culture, acquisition integration)
This is where the organizational culture of an acquisition should be compatible with that of the acquiring company.

cultural web (see organizational culture)
This shows the manifestations of an underlying culture (or paradigm).

culture (see organizational culture, Japanese management)
current business issues (see hoshin planning)

customer-focused organization (see customer satisfaction, value, TQM)
Good business requires getting right a few simple things. These include delivering to the customer what they want and giving them value for their money. A good business does not look for an opportunistic one-night stand. but tries instead to build a long-term relationship. *"Management theory has been criticised for ignoring the role of customers in organizations (e.g. Peters & Waterman, 1982). Customer focus and satisfaction receive little coverage in the management literature,"* (Dean & Bowen, 1994: 408). Business process management approaches, such as TQM, lean working and JIT (where work is pulled forward by the needs of the customer, rather than pushed by production needs), have made operations more focused and responsive to

changing customer demands. From the TQM perspective, the customer is often understood as the next process, unit or organization in a customer-supplier chain (see the idea of the quality chain in TQM), and within an organization is often referred to as an internal customer. Changes in technology have helped and the rise in computer based database forms of marketing such as customer relationship management and the growth of the Internet have made the producer-customer relationship a more proactive one. C. K. Prahalad asserted that the roles of the producer and customer have converged: *"The consumer goes from being a very passive person to being a very active co-creator of product, services and value,"* (London, 2002c). The idea of a 'customer' has been extended to not-for-profit organizations and while different terms may be used (citizen, client) the view is that products and services are individually consumed (sometimes subject to a specified contract or charter) rather than collectively experienced.

Porter (1996) has criticised the Japanese for putting customer satisfaction first, rather than emphasising satisfying the customer in a way that gives an organization a distinctive competitive advantage.

For some organizations the financial returns may not directly come from the people it serves (customers), but from sponsors, such as government and public sector agencies, which aim to provide general standards of public service, or commercial organizations whose income comes from promoters. The relationship may not always work to the customer's advantage, as DJ Chris Moyles argues: *"DJs are scum. This is so true. In the world of commercial radio, it's all about the money. How little they pay you, and how much they can make and keep. The sales department is where the money is made, and that keeps the station going. The sales team sell the airtime to whoever they can and DJs end up doing a competition giving away fish fingers because the local fish-finger factory agreed to spend five thousand pounds on a month-long competition. The sales team are gods with company cars and paid-for holidays, and the DJs are merely the idiots who have to present a road show from the local summer fete or present their show live from a bus station because the bus company also paid for a big promotion. God forbid that you want to do creative radio that actually costs money. Besides, you probably won't have time because you're giving away cough sweets as its National Cough Sweet Week and the National Cough Sweet Association has also spent money on a big promotion,"* (Moyles, 2006: 134). Getting the balance right depends upon how senior managers understand the organization's core purpose; priorities must be sorted out and managed.

customer relationship management (CRM) (see customer-focused organization)
CRM is a strategy involving the use of IT competences to enhance customer value. It involves (typically organization-wide) processes that identify, develop, integrate and focus a firm's activities on the 'voice of the customer' to deliver long-term competitive advantage. It should involve more than functional marketing by designing and managing all those organizational activities that directly impinge upon customer value At its most advanced it employs one-to-one marketing or mass customisation (Pine, 1993), which is based on electronic data interchange (EDI) and database marketing; these involve monitoring individual transactions of small groups of customers very closely over time. One of its aims is to customise a dialogue to offer services and products that suit individuals. So, for example, Amazon suggests new books to individual customers based on their previous buying behaviour and

interests (Peppers *et al.* 1999). The ownership of customer information is a strategic asset that offers the opportunity of managing a range of different but related businesses. UK retailers, Tesco and J. Sainsbury, have successfully offered banking facilities such as home loans and deposit accounts to their customers. Databases and data mining permit organizations to create individual profiles based on spending patterns, demographics and service requests. Targeting customers on the basis of profile enables organizations to exploit the most profitable customers at a fraction of the promotion costs usually associated with developing market segments. Some companies have defined themselves by reference to their customers rather than products. Data mining is not new and the direct mail industry has done it for years but, before EDI systems, only with limited success. However, consumer behaviour is complex and there are usually logistical problems to be overcome in getting offers to the consumer.

The rise of the Internet and with new forms of business (the new economy) has enabled a new level of intimacy and connectivity that offer opportunities to create competitive positions more based upon the structure of the customer relationship than ever before. On the other hand, a technology-based service can have weaknesses. So, for example, for Dell, a company that has built its success on direct marketing, a FT columnist recounts how his experience contradicts the customer service claims of the company:

"On the company website you can find a statement of corporate philosophy called the 'Soul of Dell'. But compare and contrast the now well-documented actions of Dell managers and staff with the high ideals and, you have to conclude, here is a Soul in trouble. As far as the customers are concerned, Dell says, the company believes in 'providing a superior experience.' Superior too what? Open-heart surgery without anaesthetic? The hours spent by Dell customers dealing with 'technical support' or pleading with 'customer care' staff are seared on the memory of those who have dialled up in their hour of need. This sort of superior experience creates customer loyalty, the company believes. Hmmm. Dell says it wants to build 'direct' relationships. But what is direct about remote call centres staffed by people who inevitably run up against the profound cultural challenge of dealing with pushy, impatient customers from the other side of the world? What is direct about getting staff to work their way through rigid, impersonal scripts, which limit spontaneity and ability to solve customers' problems? Dell says it wants to foster 'open communications'. It succeeds mainly in creating the opposite. This also mitigates against the next stated desire of Dell's 'Soul': to develop 'global citizenship'. Managing larger, international businesses is highly complicated. Importing and then imposing alien business language on new staff does not build 'a healthy business climate globally'. It creates a synthetic vox Americana which is both irritating and insincere ('Thank you for choosing Dell,' said one tired call centre employee to me, even after I had bellowed and bullied my way through the preceding 20 minutes.)... [many companies are] *guilty of the same crime: claiming to believe in the familiar business goals of excellence, customer delight, quality and service, while failing utterly to translate shiny vision into reality,"* (Stern, 2006b).

Dell's CEO was removed at the end of January, 2007, and Michael Dell took over again at the top: *"the company is working hard to re-establish warmer relationships with its customers – by developing, for example, a much more sophisticated approach to solving software and hardware problems...*[but] *Manufacturing excellence does*

not guarantee customer delight...Dell's difficulties also have to do with something completely beyond their control – the improvement in the performance of its competitors...a company can get better and still fall further behind," (Stern, 2007)(see business model).

The rise of new media makes more possible a multi-channelled organization, where a prospect or customer is able to contact (and be contacted) in different ways, each point of contact appropriate to the specific level of need at the time, such as for a stage in customer search, or to answer service questions of differing complexity (Wilson & Daniel, 2006). However, it also underlines the importance to the customer relation of integration of purpose and operations (or joined-up management) as the Dell example suggests.

Pfeffer (2007) is sceptical about CRM software: *"Before you can manage a customer relationship, you first need to build or create that relationship. And customer relationships are not really built by fancy data mining and statistical analysis packages that track people's behaviour, nor by the now-ubiquitous automated phone systems that basically just irritate people...Relationships and their quality are determined by what happens to customers when they actually make contact with organizations."* IT-based systems can lock in bad ways of working and can make improvement difficult.

customer satisfaction (see VOC, balanced scorecard, TQM)
This is often used to define quality in TQM. It is now widely used as an indicator of organization effectiveness, and was used early on in corporate planning by Xerox Corporation as an indicator of corporate performance and as a corporate business goal (Witcher & Butterworth, 1999). In the early TQM practitioners' literature a distinction was sometimes made between this and customer delight, where an organization went beyond satisfaction to anticipate requirements and surprise the customer, as well as taking into account possible future customers. More recently, customer loyalty (see relationship marketing) has been stressed. A distinction is sometimes made between external and internal customers, and between customers and consumers. A consumer is best thought of as the end-customer of a chain of distribution. External customers are external to the organization, whereas an internal customer is one inside the organization and is a concept associated with the TQM.

Customer satisfaction as a concept may not be proactive enough if it is founded on only the elimination of non-conformance to customer requirements. E.g. removing the reasons for complaints, such as defects and errors, does not make a potential customer want to buy next time. It is important to understand behaviour and how and why customers buy, to guide new product development and improvement efforts on existing products. Specifications must not only include the means to control conformance to design, but must also permit a continuing flexibility that checks design externally. Early TQM literature made a distinction between customer satisfaction and customer delight, where the latter exceeded customer expectations. Quality and other scorecard (and hoshin) objectives can be strategically managed to ensure that external customer value aspects are considered in continuous improvement in daily management.

customer value proposition (see value)

cybernetic systems (see systems thinking)

daily management (nichijo kanri) (see hoshin kanri)
Daily management is work carried out in those parts of the organization that are primarily about short-term operational and functional activity. It is a Japanese concept that roughly corresponds to departmental or functional management. "[Daily management is] *all the activities that each department must perform for itself on a daily basis that are necessary to most efficiently achieve their business goals. These activities are the most fundamental of business management,"* (Nomi, 1991: 47). *"Daily management focuses on keeping the house in order; that is, maintaining the performance of day to day, routine, or repetitive processes. No special effort other than establishing goals, control limits, and a monitoring system are required. The prerequisite is that these processes are well understood because there is a wealth of experience and knowledge, which is documented. Daily management requires effective management of routine processes, discovering abnormalities or deviations, and preventing their recurrence,"* (Soin 1992: 74).

Hoshin kanri is grounded in daily management (Akao, 1991a: 194). This is done using top-level cross-functional committees for setting and reviewing objectives. Koura (1990) argued that strategy and operations should be managed together: *"In enterprise management, policy management business and daily management business should not be categorised and executed separately, but should be executed together. There is a precaution, however, against neglecting daily management which ought to be the base for business execution, but which over-emphasizes policy management. From this problem policy management and daily management matching was born,"* (351).

He observes that an important element is the use of control items, which typically expressed as QCDE targets, to monitor effectiveness in key cross-functional functional areas. According to Koura these were developed to ensure that daily management priorities were not neglected in strategic management. Cross-functional management committees were established to manage top level policy and cross-functional objectives; an important feature is the use of relational matrices that show the relation of policy and control items to each other, for the different functional areas of the business. A narrower term, 'gemba kanri', refers to management at a shop floor level and should is not to be confused with daily management.

dashboard (see strategic dashboard)
decentralisation (see structure)

decision making (see information & analysis, strategic choice)
Loasby (1976: 83) contrasted operating decisions with innovative ones. Operating decisions share three characteristics: their effects are normally very localised, usually made within a narrowly defined system; they typically involve few elements are variable within the time-span over which the decisions will be effective, and similar decisions need to be taken frequently, so a standard repertoire of solutions emerges and, since this is based on a large sample of experience, it is unlikely that any novel solution would be significantly better. Operating decisions facilitate low-cost decision-making. Major innovations have effects that are spread widely through an interdependent system, and some of the interdependence may be difficult to spot; a

long-time span can be a potent source of complexity, and the potentially controllable variables may be large. Innovations are likely to be rare and experience limited, and thus uncertainty is high, both in terms of its benefits and in terms of the different methods for achieving them. It is unlikely that any deterministic technique will fully resolve problems, and decision-making is likely to be necessarily expensive.

Drucker (1955) argued that 'tactical' decisions are: *"always one-dimensional, so to speak: the situation is given and the requirements are evident. The only problem is to find the most economical adaptation of known resources. But the important decisions, the decisions that really matter, are strategic. They involve either finding out what the resources are or what they should be. These are specifically managerial decisions. Anyone who is a manager has to make such strategic decisions, and the higher his level in the management hierarchy, the more of them he must make...Strategic decisions – whatever their magnitude, complexity or importance – should never be taken through problem solving. Indeed, in these specifically managerial decisions, the important and difficult job is never to find the right answer, it is to find the right question. For there are few things as useless – if not as dangerous – as the right answer to the wrong question. Nor is it enough to find the right answer. More important and more difficult is to make effective the course of action decided upon... Nothing is as useless therefore as the right answer that disappears in the filing cabinet or the right solution that is quietly sabotaged by the people who have to make it effective. And one of the most crucial jobs in the entire decision-making process is to ensure that decisions reached in various parts of the business and on various levels of management are compatible with each other, and consonant with the goals of the whole business,"* (346-347).

Drucker (1955, ch. 28) argued decision-making has five distinct phases: defining the problem (to find the critical factor is important); analysing the problem (get the facts only when the problem is defined, test the validity of the basic assumptions, consider no action); developing alternative solutions; deciding upon the best solution (the risk, economy of effort, timing, resources); converting the decision into effective action (expected changes in behaviour, of people effected, motivation - implementers should always participate in developing alternatives by never defining the problem and helping people achieve their objectives).

defender company (see Miles & Snow)
de-industrialisation (see commoditisation, global-level strategy)

de-layering (see downsizing, structure)
De-layering refers to the removal of layers of management and administration in an organization's structure. De-layering specifically involves reducing the levels of hierarchy, usually from a tall-shaped to a flat structure. It is classically about devolving decisions to front-line managers and other employees, thereby reducing the need for middle management and other staff specialists. This rationalisation is assisted by IT (and is often the stimulus for BPR) and motivated by a need for flexibility and responsiveness (an earlier term was re-structuring). Tesco has more than 350,000 employees worldwide (2007), but there are still only six layers of management between Sir Terry Leahy, CEO, and the person on the checkout.

deliberate, emergent, & realised strategy (see emergent theory)

delivery chain (see delivery systems)
A delivery chain is a concept in functionally based public administration that takes a broad view of how policies are implemented and it maps out the chain of cause-and-effect for the participants concerned.

delivery systems (see strategy implementation, CompStat, targets)
Typically these are strategic performance management, or managed review systems, which enable an organization's corporate level, or its top executive level, to monitor the progress of its strategic objectives. The role of an implementation plan for execution is central. For example, Marius Haas (senior vice president in the office of strategy and corporate development at HP, 2002-present), commented on the role of HP's central strategy function in relation to the execution of strategy by the business units: *"An implementation plan that has clear milestones and owners is a must. Execution sits in the business units. At HP, we won't make the hand-off until the business owner understands, accepts ownership, and acknowledges the need to deliver. As to the strategic plan as a whole, we've gotten a lot more disciplined. Now we can say, 'Here are the levers within our plan that we need to execute in order deliver. We know the plan, the capacity, and what we can do incrementally. If you've going to show me a number, you're got to tell me how you're going to get there.' Management has changed how people's performance was going to be measured at a granular level,"* (Dye, 2008).

In the public sector, Michael Barber set up the 'Delivery Unit' at the beginning of Blair's second term of government, which was, in effect, the government's performance management unit (the idea has been copied for other countries). The unit employing less than 50 people and reported directly to the Prime Minister: it focused on a small number of key targets: these were originally 15, and concerned targets for which the government departments for health, education, the home office, and transport, had responsibility. The unit's contribution included organising regular review of the targets and delivery reports, goal setting, working out delivery maps and plans, the identification of delivery chains, gathering data and determining trajectories to show the progress on targets over time, stocktakes of performance, and the compilation of league tables to show the relative performance on all the targets.

One discovery was: *"The key insight is that well-established routines are as important to the exercise of prime ministerial power and the delivery of results as major decisions on strategy or people; moreover they are precisely what Tony Blair lacked in his first term. Sometimes I even had to debate this issue with my own staff. Inevitable their attention would be drawn to things that were going wrong and the interventions this required us to make, but the danger came when say of some us shifted from rightly paying attention to these interventions to wrongly thinking that they were the only way we had an impact. Often at staff meetings I would wrench people's attention back to the routines of deliverology - the stocktakes, tracking the data against the trajectory, writing delivery reports, keeping the focus…without the routine, events cannot be fully understood and, more importantly, results will never be delivered… Part of the mission of the Delivery Unit was to establish, at least internally, the primacy of order over chaos,"* (Barber, 2007: 112).

Barber defined a 'delivery chain' - as a *"crucial concept...what is implicit when a minister makes a promise. Supposing that a minister promises, as David Blunkett did, to improve standards of reading and writing among eleven-year olds. Implicit in this commitment is that, one way or another, the minster can influence what happens inside the head of an eleven-year-old in, for example, Widnes. The delivery chain makes that connection explicit; so in this case, what is the connection between the child in Widness and the minister in Westminster? What happens inside the eleven-year-old's head is influenced chiefly by her teacher – the first link in the chain; the teacher is influenced by the school's literacy co-ordinator, who in turn is influenced by the head-teacher – the second and third links in the chain. The headteacher is influenced by the governors and the local authority, who are influenced by the regional director of the National Literacy Strategy, who answers to the national director of the strategy. He in turn answers to the head of the Standards and Effectiveness Unit in the Department of Education, who answers to the secretary of state. And thus we have established the delivery chain. In practice, many deliver chains are more complex than this. Even in this example, the child's reading is also influenced by the parents, so there is a shorter chain, also worth thinking about, where the parent can be influenced to read more to the child at home...head teachers are strongly influenced by Ofsted inspectors...another potential chain. The key is...to do the delivery chain analysis...those responsible for delivery can think through how best to extort influence at each link and, when the plan is being put into practice, it is possible to check whether each link in the chain is effective. Where there is a weak link it can be strengthened..there must be some sort of delivery chain if there is to be delivery. If it cannot be specified nothing will happen,"* (Barber 2007: 85-86).

"Government...[is] *littered with inspection and review processes...Ofsted, the Healthcare Commission, HM Inspectorate of the Constabulary, the National Audit Office and the Audit Commission, this was core business* [for government]*...they all shared one important flaw...*[they were] *far too slow...*[for example, the] *Audit Commission...investigative reports...*[took] *two years to complete...*[we asked] *'After how long...did you know 90% of what was in the final report?...*[the answer was in] *a month...At that moment I decided we would design a process which took a month, made proposals that were 90% right, and then action* [them]*... For any given target, a joint review team of five or six people from the relevant department and the Delivery Unit...pull together all the data they could assemble on the issue and generate some hypotheses and answer the key questions: Were we on track to deliver the target? If so, what were the risks? If not, what could be done to fix the problem?...team would then go and see for themselves the reality on the ground. Often they would visit a place where progress was good and ask, and a place where it was poor and ask the same question. They would ask everyone they met the same questions: is the target understood? What are the successes? What are the barriers? What action is needed to strengthen delivery? Finally they would invite interviewees to identify their top three messages for the Prime Minster – an invitation few could resist. This way the team could test and refine their hypotheses. In effect they checked every link in the delivery chain to see how it could be strengthened.* (*op cit.*: 151).

Delta model framework
This is a strategy (organizing) framework developed by Hax & Wilde (2001ab) for companies working with the Internet and which aim to integrate Porter's ideas and the resource-based view. It contains (a) the strategic triangle, used for defining

strategic positions based on best product, customer solutions, and system-lock-in; (b) the alignment of these with a firm's activities to achieve a congruency betweens strategic direction and execution, and involves the three fundamental processes (key strategic tasks) of operational effectiveness, customer targeting, and innovation; (c) adaptive processes, which are the core processes of the company that must be aligned to the chosen strategy to avoid a commodity-like outcome, and (d) metrics (those that provide an overview or aggregate view, should be supplemented with more specific or granular metrics. The Delta model can be used to identify the core processes of the business, and provides a guide for how they are to function differently, to achieve the different strategic positions that are necessary to continually respond to an uncertain environment.

demerger (see diversification)
This refers to the break-up of a conglomerate or diversified corporation into distinct and separate independent companies. This is likely when the share value of an organization's parts is more than the value of the whole. Hanson Trust was broken into four parts in the mid-1990s: The Energy Group, Millennium Chemicals, Imperial Tobacco, and Hanson, now a building materials business. They have all developed into successful independent businesses.

Deming cycle (see PDCA)
deployment (see alignment, catchball, MbO, strategic planning)

design & conformance to design (see quality, quality function deployment)
This is the design of work, such as a work process, and how the work conforms over time to its design. In quality management, quality is sometimes defined as the quality of design (the degree to which it approximates to a customer's specifications), and quality of conformance (the degree to which working carries out the design effectively to meet the customer's needs).

Design is also used to mean styling. This aspect of creative marketing is important enough to be a major component of a corporate strategy, in the sense that it can an organization's products and services recognisable as a distinct group and is then typically associated strongly with corporate image. In cars, e.g. styling is particularly important, especially for premium car-makers. But even volume manufacturers will build its brand values into a house style, although style here is conservative, based on values such as reliability, rather than a celebrity living style and risk. This can go too far if, as may have the case with Ford, when the Mondeo was made deliberately to look dull to imitate German styling to encourage a perception that the car had high manufacturing quality (Mackintosh, 2005a).

design school of strategy (see emergent view, instrumentalism, value)
The design school of strategy was a term used by Mintzberg *et al.* (1998) to describe the work of classical strategy authors, such as Andrews (business policy), Ansoff (strategic analytical planning), consultants such as Henderson (and the ideas of strategic portfolio analysis generally), and Porter (industry analysis/market positioning/competitive strategy). The design school is criticised as too formal and over-rational. It is based on a clear and distinct separation in strategic planning, between strategy formulation and implementation. This contrasts with the emergent

view of strategy that has strategy formation and implementation occurring concurrently.

Designs must be flexible and responsive to demand to be able to create value. If designs are inflexible or do not work to remove activities that do not contribute to value, then they can lock waste and costs into a system where the root causes of problems are ignored and even encouraged. Seddon (2008) argued that a system must be designed around demand. He was arguing in favour of taking a lean approach, especially for public sector services, but his ideas also hold for designing strategy. Strategy should be based on realistic assumptions about how it will create value for its stakeholders, and must be continually managed to ensure that design conforms to purpose. It is a *"fundamental truth that strategy lies in operations: designing against demand will lead to new and better services, in short a new and better strategy,"* (Seddon, 2008: 72).

diagnostic objectives (see balanced scorecard, traffic lights)
Diagnostic objectives and measures monitor the health of the organization to ensure it remains fit for purpose; they indicate whether the organization remains in control and can signal up the unusual events that require attention. Kaplan & Norton (1996b) made a distinction between diagnostic and strategic objectives. Diagnostic objectives involve *"measures that monitor whether the business remains in control and can signal when unusual events are occurring that require immediate attention"*, while strategic objectives relate to measures *"that define a strategy designed for competitive excellence,"* (163). They point out that corporations have hundreds of measures, which they can use to: *"monitor to ensure that they are functioning as expected, and to signal when corrective action must be taken. But these are not the drivers of competitive success. Such measures capture the necessary 'hygiene factors' that enable the company to operate. These measures should be monitored diagnostically, with deviations from expectations noted rapidly; in effect, management by exception...* [this is] *an organization's day-to-day measurement system. The* [strategic] *measures are chosen to direct the attention of managers and employees to those factors expected to lead to competitive breakthroughs for an organization,"* (163-164).

The Pareto principle can be related to the idea of what is most strategic and requires most proactivity at the senior level. The determination of a vital few hoshins, for example, involves establishing those overall objectives where the greater part of a senior manager's time and effort should be strategically focused. The remaining (and greater number of issue) are managed diagnostically to ensure their condition remains stable and subject to corrective action only.

Diagnostic objectives are typically associated with single rather than double loop learning (Ackoff, 1971) and are made subject to monitoring by such approaches as the traffic light method. However, correction action can take a proactive form, when continuous improvement approaches, such as kaizen, may involve problem-solving fundamental reasons for under-performance. This may involve double looped and even lead to deutero learning (see learning).

diamond model (see global strategy)

The diamond is Michael Porter's framework for identifying the four forces for the competitive advantage of nations (1990, 1991). This emphasizes the importance of a domestic base for a firm's overall competitive advantage. Porter noted the importance of developing and nurturing home-based suppliers, local specialised resources, and the balance between home-based activities and those dispersed abroad. The original bases for a firm's competitive advantage are likely to be local and are associated with the comparative advantage of nations. An important part of national advantages lies in the clustering of like and similar industry in key regions. Porter (1990) introduced a diamond model to illustrate the sources of competitive advantage of nations (it is based on ten leading trading nations). Firm strategy, structure and rivalry (it is direct competition that compels firms to work for increases in productivity and innovation); demand conditions (the more demanding customers are, the greater competitiveness); related supporting industries (spatial proximity is important – this idea is associated with the idea that related firms should cluster); factor conditions (specialised factors such as skilled labour, capital and infrastructure are created, while general use factors, such as unskilled labour, raw materials, are generally available and do not contribute to competitive advantage); the role of government is to act as a catalyst and challenger. Local rivalry should be stimulated by policy that limits direct cooperation and enforces anti-trust regulations.

difference (see competitive strategy)
differentiation industry-wide generic strategy (see competitive strategy)
This is a competitive strategy that is based on having unique, or different, product and service attributes, which other organizations in the industry do not have, and which generates returns that more than off-set the costs of differentiation.

direction (see vision)
This is direction for the organization as a whole, and must be agreed and decided by top level and senior management. In recent years 'direction' has acquired a meaning of 'pointing the way forward', rather than 'telling people what they must do'. It is often associated with vision – where a future ideal or desired state is used in the present to align the whole organization.

discontinuity (see structural breaks)
A term used by Peter Drucker (1969) to describe how the (what h saw as) the disruption of the relatively stable leading industries of the first half of the twentieth century, such as transportation, chemicals and oil, and electronics, which were based on technical innovation in the 50 years before 1914. He saw a new information age, which would bring forth major changes to the structure of industry generally. This has largely come true with developments computing and the development of the Internet.

disruptive innovation (see innovation, structural breaks)
This is a revolutionary product that replaces existing ways of competing. 'Disruptive innovation' is a concept introduced (and influenced by Schumpeter's 'creative destruction') by Christensen (1997) to signify when a 'new paradigm of customer offering' completely replaces existing ways of doing things. There are two kinds: the first creates a new market by targeting new customers, and the second competes in a low value added part of an established market. On the second, this works because established competitors sustain innovations that are typically focussed on existing

customers and proven market segments; when new competition emerges they typically go up-market rather than defend low-end segments. Ultimately, however, disruptive innovation improves value and steals market share and the new products replace existing ones. This idea has been associated with the notion of strategy as revolution (Hamel, 1998), when change, such the dot.com boom, was very evident.

distinctive competences (see resourced-based view)
distribution (see supply chains)

diversification (see strategic portfolio analysis, corporate parenting)
Diversification is when an organization is active in different types of business area. It involves issues such as embarking on new forms of business, entering new markets, and offering new products and services that are different and unrelated to existing ones. Diversification is favoured when broad-based groups are likely to benefit from selling multiple products and services to their existing customers. Diversification has risks associated with the unfamiliar, but once successfully achieved it can provide security by spreading risk. As a strategy for the growth of large commercial organizations,

Alfred Chandler argued that diversification began to be adopted during 1920s, and was effective during the Great Depression in the 1930s. He argued that Du Pont only became effective when it created *"separate autonomous divisions to handle the production and distribution of explosives, dyestuffs, celluloid products, fabrics and film, paints and chemicals, nylon made these major lines profitable* [as]...*new product divisions...The multidivisional structure adopted by General Motors, Du Pont, and later by United States Rubber, General Electric, Standard Oil, and other enterprises in technologically advanced industries institutionalised the strategy of diversification. In so doing, it helped to systematize* (Chandler, 1977: 475) *the processes of technological innovation in the American economy* (476). *The research department in such enterprises tested the commercial viability if new products generated either the central research staff or by the operating divisions or even developed outside the company. The executives in the general office, freed from day-to-day operational decisions, determined whether the company's manager could profitably process and distribute these new products. If they decided that the managers could not, then they normally licensed the new product to some other firm. If they agreed they could, and that the potential market was similar to the one in which the firm currently sold, then its production and sale were given to the existing division. If the market was quite different, a new division was formed. By the outbreak of World War II, the diversified industrial enterprises using the divisional organizational structure were still few, but they had become the most dynamic form American business enterprise,"* (476).

Microsoft has used diversification as an approach to strategic risk. So, for example, *"...in the late 1980s, Microsoft had a corporate commitment to the computer software industry. There was, however, strategic uncertainty about how best to compete in that space. And so the company pursued a number of different trajectories simultaneously. MS-DOS was their bread-and-butter product for both personal and corporate computing customers. Yet Microsoft was collaborating with IBM on the OS/2 graphical interface operating system, even as it was developing its own graphical Windows systems, while exploring a version of Unix targeted at*

commercial markets. And on the applications front, the company was writing Excel and Word for the Apple OS.

"This was not diversification designed to create a portfolio with uncorrelated fortunes and cash flows. Rather, it was a careful constructed set of hedges, some of which could prove enormously useful to each other. Some of these strategic options, like OS/2, never ripened and were abandoned. Others, in particular the Windows OS and its complementarily with Word, Excel, and other applications, became the foundation of decades of profitability and industry dominance.

"Today, Microsoft continues to build and manage a portfolio of strategic options. The Windows OS platform and Office applications suite are the company's current bread and butter, but strategic uncertainties abound. What will the next platform, or platforms, for personal computing be? Mobile devices? Game players? What about content, search, or online services? From the perspective of the corporate office. Microsoft's investments in Windows mobile, X-box, MSNBC, and MSN can be seem as strategic options that create the ability, but not the obligation, to morph the OS division in a number of very different ways, depending on how the industry evolves over the next five to seven years, arguably the long term in this industry. The result is an ability to mitigate strategic risk in ways that the divisions, and shareholders, cannot replicate.

"It would appear that...managers responsible for each of these product groupings – Windows Mobile, Xbox and MSN, for example – quite likely view the ventures they guide not as options but commitment. That is, each manager must choose how best to make the operation as successful as possible in the medium term – say, three to five years," (Raynor, 2007: 7).

However, diversification can dilute strategy if corporate strategy is based on differentiation and specialisation. The key is having skills that can be transferred from one business to another. This could include a way of managing that would be difficult to replicate by one company copying another that has developed its skills over a long time. Where diversification is based on a company's primary areas of expertise or core competence (see the example of Canon in Prahalad & Hamel, 1990), then it is compatible with a resource-based view of strategy. If, though, business becomes too disparate then a 'jack of all trades, master of none' syndrome may assert itself. *"The tendency to try to be all things to all customers has also manifested itself in the diversification strategies of Japanese companies,"* (Porter *et al.* 2000: 171).

The conglomerate form of organizational structure is when a corporation is made up of companies or units that trade in unrelated sectors and industries. Usually it is associated with a holding company form, a type that is out of fashion (see downsizing). A major problem is transparency; since size and complexity can make it difficult for senior managers and stakeholders (especially shareholders) to understand the different businesses. Many conglomerates perform well. The most internationally admired corporation for many years was General Electric (GE), a US group founded in 1892, which has one of the world's largest capital values, £333bn (*Financial Times*, 2001): the company is active in many sectors, including banking, pharmaceuticals and diversified industrials.

The financial services industry is dominated by Citigroup, which is a union of commercial and investment banking, insurance and other financial services. *"The question being asked of Citigroup is one that has been repeatedly dogged industrial conglomerates since their birth more than 50 years ago: are diversified companies*

just too large and complex to be managed efficiently? There have been three basic arguments for developing financial conglomerates encompassing anything from retail branches to investment banking and wealth management. The first is that diversification of profit streams would shield the business from shocks in any one area; second, that there are synergies between different parts of the business; and finally, that diversification allows banks to conduct a broader range of operations without adding too much capital. But in recent years that rationale has come under increasing fire from shareholders. As investors grew impatient with the share prices of large banks such as Citigroup and HSBC, they began arguing that diversified financial services groups would generate more value if broken into their constituent parts. Industrial conglomerates have faced similar criticism. Supporters of the conglomerate model say that diversification smoothes out the ups-and-downs of individual business cycles, particular in times of economic uncertainty. They point to a company like GE, which strives to be number one or two in all the industries it operates in, as an example of the diversified group that has withstood the test of time...Citi's ability to combine the Smith Barney Investment Bank with the Citibank Corporate Bank proved so successful that it not only broke into the bulge bracket, it became number one in investment banking fees for many years in a row [the view of Todd Thomson, formally of Citigroup, and its ex-chief financial officer]. *However, Mr Thomson and others believe GE's focus on curbing bureaucracy, keeping a tight lid on costs and uniting disparate businesses gathered through acquisition is what has been lacking at Citigroup,"* (Guerrera & Larsen, 2007).

Microsoft has $40bn of cash and marketable securities and all of its seven main businesses generate double-digit revenue growth. In particular, Windows personal computer operating system and Office productivity suite both have margins of over 80%. $5.2bn was being spent on R&D, more than the rest of the software industry put together. *"We are in the process of putting computing into everything, every facet of living and working and playing,"* (Abrahams, 2002: 19). A range of new products has been introduced. These things make Microsoft a formidable competitor, but - *"Diversification pits Microsoft against some of the largest and most admired companies in the world: Sony in games consoles; Nokia in mobile phone software, AOL in the Internet service provider sector; and the leading enterprise software companies in the small and medium sized software business. And, if the strategy is correct, does Microsoft have the organizational structure and management talent to make it work? Microsoft has destroyed value before. It spent heavily on cable television and broadband companies during the late 1990s, investments that have led to massive write-offs,"* (Abrahams *op cit*.). Microsoft for a long time did not offer its shareholders dividends, preferring to plough funds back into R&D and innovation; instead shareholders have been satisfied with growth of share value. Recently the company has acted to bolster a weak share price by paying a special dividend, and may continue to pay further dividends. Microsoft may no longer be trusted as much as before to maximise its shareholder funds by re-investment in its business.

Ed Arditte, senior vice president of strategy and investor relations at Tyco International (2003-present), stated that for large *"diversified companies, like Tyco, strategy is typically driven by the businesses, with appropriate input and guidance from the corporate centre. That has proved to be a better approach for us than approaching it from the centre outwards,"* (Dye, 2008).

DMAIC & DMADV (see six-sigma)
double-loop learning (see learning)

downscoping (see downsizing)
Downscoping is a divesture, spin-off, or some other means of eliminating businesses, which are unrelated or are not core to an organization's overall business or mission. It is a reorganising activity that aims to refocus an organization on its core businesses. It is associated with ideas that firms should 'stick to the knitting' (Peters & Waterman, 1982), and concentrate on those activities (or core assets or core areas) that add directly to value and sustain competitive advantage. Activities that do not contribute directly to these things are better outsourced to companies that can do them better (this kind of question is at the heart of the 'make or buy' decision). Generally for a large organization, it has been centralised services at headquarters, which have born the burnt of cuts. Procter & Gamble, for example, has considered outsourcing human resources, accounting, and information technology to save costs; these activities have employed 8,000 people in what was has traditionally been considered as back office operations (Saigol, 2002). However, while cost leadership is a legitimate strategy, contracting out so-called non-core activities is dangerous if it is done without understanding the impact it might have for flexibility and levering resources to create value. Outside contractors are also difficult to control should a need arise later to align a contractor's objectives with strategic objectives.

downsizing (see business process re-engineering, outsourcing, de-layering)
Downsizing is a reduction in the size of a corporate entity. There are also consequences for human resource management. Where downsizing results in smaller working units, it can promote cross-functional team-working and process structure. However, new structures typically require new ways of managing, and these are difficult to establish if downsizing and redundancies have been to the cost of employee commitment and communication. Downsizing has attracted adverse commentary. Certainly its scale has been huge and its occurrence widespread. BT cut its workforce from 232,000 in 1990 to 148,000 in 1995; it adversely effected employee relations; internal surveys in 1995 suggested that one fifth of employees thought that managers could not be relied upon (Micklethwait & Wooldridge, 1997: 42). Downsizing is usually associated with a senior management belief that central overheads are too high and that a corporate group ought to be re-designed to devolve corporate functionality to the divisions.

dynamic capabilities (see resource-based view, exploitative & explorative learning)
Dynamic capabilities are cross-functional processes that help ensure that the strategic resource (especially core competences) configurations of an organization are congruent with the changing external environment. The concept of dynamic capabilities has developed within the resource-based view of strategy. While it recognises that *"the long-run performance of the enterprise is determined in some measure by...the (external) business environment...the development and exercise of (internal) dynamic capabilities lies at the core of enterprise success (and failure),"* (Teece, 2007: 1320). *"The original definition of dynamic capabilities referred to 'the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments' (Teece, Pisano, & Shuen, 1997: 516). In this definition, organizational competences denoted managerial and organizational processes or 'patterns of current practice and learning' (Teece at al. 1997: 518),*

through which 'firm-specific assets are assembled in integrated clusters spanning individuals or groups' (Teece at al. 1997: 516). By altering the organization's resource base, dynamic capabilities could then open new strategic alternatives or 'paths' for the firm (Helfat, 1997). Subsequent work refined and expanded the original definition of dynamic capabilities. Eisenhardt & Martin (2000: 1107) defined dynamic capabilities as 'the firm's processes that use resources...to match and even create market change.' In this conception, dynamic capabilities took the form of organizational processes," (Helfat *et al.* 2007: 2). Eisenhardt & Martin provided examples such as product development routines, alliance and acquisition capabilities, resource allocation routines, and knowledge transfer and relocation routines. In addition to processes, the definition included the creation of market change, as well as the response to exogenous change. They noted that dynamic capabilities can operate in environments other than those experiencing rapid change. Zollo & Winter (2002) focused on organizational learning as a source of dynamic capability, which they defined as *"a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness,"* (340).

This definition implicitly distinguishes dynamic capabilities from operational capabilities, which are more associated with patterned behaviour that firms invoke on a repeated, rather than idiosyncratic basis. Teece *et al.* (1997) suggested that a dynamic capability is necessarily a high-order one, which acts to influence lower-level capabilities and competences. As such, it is possible to imagine a firm as a hierarchical nest of dynamic capabilities inserted into each other like a set of Russian dolls. Winter (2003), in relating the notion of capabilities to the broader concept of organizational routines, suggests that dynamic capabilities are high-level routines (or collections of routines), *"that, together with its implementing input flows, confers upon an organization's management a set of decision options for producing significant outputs of a particular type...*[a routine is] *behaviour that is learned, highly patterned, repetitious, or quasi-repetitious, founded in part in tacit knowledge,"* (991). He wrote that there is a broad consensus that dynamic capabilities contrast with ordinary (or operational) capabilities, by being concerned with change, and cited Collis (1994) as evidence that dynamic capabilities govern the rate of change of ordinary capabilities.

"Many other authors have utilized similar definitions to those reviewed here, including Rosenbloom (2000), who highlights the importance of management leadership as a dynamic capability; Zoot (2003), who focuses on dynamic capabilities as routine organizational processes that guide the evolution of firm resources and operational routines; Galanic & Eisenhardt (2001), who analyze dynamic capabilities as the processes through which managers manipulate resources into new configurations as markets change; Pisano (2000), who focuses on dynamic routines that regulate the search for improved routines; and Collis (1994), who includes strategic insights that derive from managerial or entrepreneurial capabilities." (Helfat *et al.* 2007: 2).

Dynamic capabilities offer a solution to the possibility raised in the resource-based view literature of rigidity in firm-specific strategic resource configurations, especially core competences. They may particularly lend an ability to develop strategic resources to meet global competition, where sources of innovation and manufacturing

may be geographically dispersed. An important feature is the degree of intangibility of dynamic capabilities, when they may be difficult for rivals to understand, and are too costly or too difficult to easily transfer in a complete sense from one firm to another. Their application will always be (and look) different in different firms. Thus, dynamic capabilities provide an important foundation for sustaining competitive difference over time. Makadok (2001), for example, explained a dynamic capability as a unique business model: he points to the yield management system of American Airlines, Wal-Mart's docking system, Dell's logistics system, and Nike's marketing capacity. Eisenhardt & Martin (2000) agreed that dynamic capabilities are idiosyncratic, but they argued these differences lie in the detail of their application. Common features do exist, and these, they argued, can be benchmarked and shared as best practice between firms: just as there are better or worse ways to hit a golf ball, so there are more or less effective ways to execute dynamic capabilities.

Teece, Pisano & Shuen (2000) gave a detailed description of Fujimoto's (1994) account of production activities in the Japanese auto industry, and identify the Toyota Production System (TPS), an advanced form of lean production, as a high order dynamic capability. In fact, most of the auto-makers have similar production systems, but these vary considerably in practice between the firms, especially in how other related dynamic capabilities, such as hoshin kanri and cross-functional management, are managed. Eisenhardt & Martin (2000) argued that dynamic capabilities can not in themselves be imitable, but that they enable firms to build resource configurations that achieve a series of short-term competitive positions, and that it is this series of positions built on different reconfigured resource combinations that sustain longer-term competitive advantage. This is a similar idea to the Hamel and Prahalad (1989) assertion that Japanese firms run strategic marathons as a series of shorter-term challenges to achieve their strategic intent.

Eisenhardt & Martin (2000) suggested that the management of strategic resources is potentially different for degrees of external change. In moderate-velocity of change markets, dynamic capabilities may be more based on analytic and stable processes; in high-velocity cases, however, dynamic capabilities may be based on more ad hoc, simple, highly experimental, and even fragile processes. March (1991) drew a distinction between explorative learning for the pursuit of new knowledge, and exploitative learning based on experience and existing knowledge. For high velocity change dynamic capabilities must be based on explorative learning, while for moderate velocity exploitative learning may be useful. Benner & Tushman (2003) argued that dynamic capabilities should be rooted in a combination that involves ambidextrous organizing structures for learning. For example, they suggested a dynamic capability should protect incremental change achieved through TQM from any dysfunctional impact explorative learning may have. However, the precise combination is difficult to specify (Levinthal & March, 1993). Hoshin kanri is a dynamic capability that aims to balance the management of break-through with incremental change; hoshins are vehicles for explorative (strategic-based) learning, and the more numerous improvement KPIs encourage exploitative learning.

"The concept of dynamic capability includes the capacity with which to identify the need or opportunity for change, formulate a response to such a need or opportunity, and implement a course of action. Not all dynamic capabilities serve all three

functions. Instead, different capabilities serve different purposes," (Helfat *et al.* 2007: 2). The benefits depend not only on purpose, but also on the context in which the capabilities are employed: that is, how dynamic capabilities <u>fit</u> with the external and internal environment of the firm. This affects the usefulness of dynamic capabilities as a means for adapting, exploiting and creating, change in the business environment. This concept of 'fit' can be used to develop conceptual yardsticks for evaluating how well dynamic capabilities perform. However, Winter (2003) argued that not all organizational responses for dealing with change are manifestations of dynamic capabilities, but that change results from other things as well, for example, ad hoc decision-making; dynamic capabilities are a *"hedge against the obsolescence of existing capability"* (994) and as such are really only an addition to existing approaches.

Empirical work that investigates dynamic capabilities and the parts they play in competitive success is almost totally absent. However, there is existing research that could be evaluated subject to its ideas. Eisenhardt & Martin (2000) suggest the identification of particular processes as dynamic capabilities *"opens up RBV thinking to a large, substantive body of empirical research that has often been neglected within the paradigm...*[and] *sheds light not only...*[on] *specific processes, but also on the generalised nature of dynamic capabilities. So, contrary to the criticism that dynamic capabilities lack empirical grounding (Williamson, 1999), dynamic capabilities as specific processes often have extensive empirical research bases and management applicability,"* (1108).

A similar notion to dynamic capabilities is the idea of core capabilities. An early article is Stalk, Evans & Shulman (1992): this considers how Wal-Mart successfully competed against Kmart: *"The difference is that Wal-Mart emphasizes behaviour – the organizational practices and business processes in which capabilities are rooted – as the primary object of strategy and therefore focuses its management attention on the infrastructure that supports capabilities.* [it] *has made all the difference between exceptional and average performance,"* (Stalk, *et al.* 1992: 60). While this article does not use terms like dynamic capability it is perhaps one of the first to argue that there are capabilities that are core to competitive success.

The work is Teece on dynamic capabilities is important. His original article (Teece, *et al.:* 1997) conceptualises dynamic capability as a top level capability that seems analogous to a firm's strategic management capability, rather than the simpler Eisenhardt & Martin (2000) definition of a dynamic capability as a cross-functional process. In his later work, Teece (2007), explicated three dynamic capabilities, which: (1) sense external opportunities (he calls 'sensing'); (2) seize these through structures, procedures, designs and incentives ('seizing'), and (3) continuously align and re-align strategic resources ('managing threats'). In other words, arguably, a firm's set of dynamic capabilities <u>is</u> strategic management: that is, to continuously evaluate the environment; to make strategic choices, and to continuously develop and sustain competitive advantage. However, the essential difference to conventional strategic management thinking is that Teece sees dynamic capabilities as organizing paradigms that assemble and orchestrate difficult-to-replicate strategic assets (resources). Teece *et al.* (1997) proposed three organizational and managerial processes (coordination/integrating, learning, and reconfiguring) as *"core elements of*

dynamic capabilities...Together they might be thought of as asset 'orchestration' processes," (Teece, 2007: 1341).

dynamic pricing (see business model)
e-commerce (see Internet, customer relationship management)
ecological view of strategy (see evolutionary view)
economic rent (see economics)

economic value added (EVA)
Used as a financial performance method to calculate the economic profit of a corporation; the net operating after taxes profit minus a charge for the opportunity cost the capital invested. It is an estimate of the amount by which earnings exceed or fall short of the required minimum rate of return for shareholders or lenders at comparable risk. It can be used to set organizational (including SBU) objectives and for a range of performance measures.

economics (& strategic management) (see organizational economics)
"One of the key empirical observations made by traditional strategy case research was that firms within the same industry differ from one another, and that there seems to be inertia associated with these differences. Some firms simply do better than others, and they do so consistently. Indeed, it is the fact of these differences that was the origins of the strategy concept. In standard neoclassical economics, competition should erode the extra profits earned by successful firms, leaving each firm just enough to pay factor costs. Yet empirical studies show that it you do well today, you tend to do well tomorrow; good results persist...The most obvious theory was that of industrial organizational economics and its various explanations for abnormal returns. With strategic management, the most prominent effort is Porter's (1980, 1985). Taking the basic ideas of the Mason/Bain structure-conduct-performance paradigm, Porter changed the perspective from that of the industry to that of the firm, and formulated what had been learned from this perspective into a theory of competitive strategy. A second effort at synthesis is the resource-based view of strategy. This view shifts attention away from product-market barriers to competition, and towards factor-market impediments to resource flows. Identifying abnormal returns as rents to unique resource combinations, rather than market power, this perspective emphasizes the importance of specialised, difficult-to-imitate resources...Where the traditional frameworks had success [they followed] *...leadership, clarity of purpose, and a general notion of 'fit' between the enterprise and its environment, the new framework focused on the impediments to the elimination of abnormal returns,"* (Rumelt *at al*. 1991: 7).

The idea of economic rent goes back to Ricardo (1817). It is the surplus earned in excess of a resource owner's opportunity cost (as determined by the neoclassical model of competition). In a sense strategy can be viewed as a continuing search for rent (Bowman, 1974: 47), such as the generation of above-normal rates of return (rents). This is so in the shorter-term for periods of disequilibrium. Ricardo argued rents may be achieved by owning a valuable resource that is scarce. Rents may also be achieved through monopolistic and entrepreneurial behaviour (Schumpeterian rent). More recently the resource-based view of the firm maintains rent may be appropriated from the bundling of resources into idiosyncratic and firm-specific strategic resources and capabilities (Mahoney & Pandian, 1992).

"The limitation of the new microeconomics is that it explains rather than predicts...
[it] *is essentially a formal language for expressing knowledge elsewhere obtained. The problem is that formal theorising has collapsed to examples...Consequently, part of the intellectual structure of the new microeconomics is evolving to look more like strategic management. Any scholar working in strategic management must be aware of the traditional economist's normal reaction to most of the work in our field: 'The subject is interesting, but there is no tight theory – it looks like a bunch of lists.' But the new economics, taken as a whole, is a 'bunch of lists'. More precisely, it delivers a large number of tightly reasoned sub-models, but no strong guidance as to which will be important in a particular situation,"* (Rumelt *at al.* 1991: 12-13). This 'sub-model' position is similar to that for middle-range theory in sociology.

economies of scale & scope (see the experience curve)
Economies of scale are obtained through cost savings that occur when higher volumes allow unit costs to be reduced. Economies of scope involve cost savings that are available as a result of separate products sharing the same facilities. This may involve a transfer of one or some corporate level core competences to a corporation's different businesses, or from one of the businesses to another, where it will add additional value.

EDI (electronic data interchange) (see CRM)

efficiency & effectiveness (see balance, longer/short-term strategy)
Efficiency is about minimising the quantity (especially in terms of cost) of inputs in relation to the achieved outputs, and typically concerns the optimal use of resources. Effectiveness is more about the quality of resources in terms of their fitness for purpose; this can be about how efficiency is achieved, and/or how effective an organization's policies, management, and processes are in achieving purpose. Hofer & Schendel (1978), following Barnard (1935) suggest that on a daily basis management is mostly devoted to efficiency, but that longer-term survival and success depends more upon effectiveness, and that where the efficiency and effectiveness conflict, things should be settled in favour of the latter. *"Achieving congruence in the short term may hinder the organization's ability to adapt. Ansoff et al. (1976), considered this to be of utmost importance if we are to configure the resources of the firm for effective response to unanticipated surprises. The balance between short-run efficiency and long-term effectiveness and its relationship to congruence should be explored in future research,"* (Fry & Smith, 1987: 124).

The balance between short-term efficiency and short-term effectiveness is a subject that is largely ignored in the strategy literature. Teece *et al.* (1997) argued that efficiency is more important than strategising, see operational effectiveness.

EFQM model (see performance excellence)

emergent view of strategy (see incrementalism, Honda effect)
Emergent strategy is strategy that is not foreseen by senior management and which arises during the implementation of, and changes, deliberate strategy. Deliberate strategy is a planned strategy that is designed by senior managers for implementation at other organizational levels**.** The emergent (sometimes also called the process or

processual) view of strategy is a behavioural rather than an analytical way of thinking about strategy. This sees overall strategy emerging incrementally depending upon the nature of the behavioural processes at work in the wider organization. It is often associated with dynamic environments that are especially turbulent and changing, where bottom-up strategic learning, especially by trial and error (or even the accidents of strategy making), is important to success and survival. Mintzberg & Waters (1989) argued that intended strategy formulated by corporate management is modified during its implementation by divisional and other management. Over time the strategy that evolves, or is realised, is a mixture of intended and emergent strategy. Thus the 'strategy process' is one of strategy formation rather than one of deliberate formulation, followed by strategy implementation, as is suggested by classical strategic planning (Mintzberg, 1994). In other words, overall strategy is a result of a concurrent intertwining of formulation and implementation. Corporate level management should take this into account and facilitate this strategy formation process. A senior level should develop its intended strategy around a strategic posture, or limited number of programmes that will provide cohesion, balance, and focus, and recognise that the effectiveness of formal corporate planning is necessarily limited (Mintzberg *et al.* 1998).

Quinn (1980) observes that a full corporate strategy is rarely written down in any one place anyway, and that it is typically experienced in a fragmented, evolutionary and largely intuitive way; he proposed that strategy is subject to many local incremental changes made (rationally) by divisional management (see logical instrumentalism). This is not to suggest a muddling through approach; so much as an incremental series of moves that together can be recognised as a pattern of behaviour, evolving toward an order that is recognisable strategy.

Sashittal & Jassawalla (2001) reporting on their research into marketing implementation, note that while management anchors itself strongly to the deliberate strategy, improvisations can considerably change the nature of the strategy content that is eventually implemented. They cite the opinion of a manager: *"By the time your implementation comes around, which is the first of the year, all your thinking that went into the plan is probably nearly six months old. But from a practical sense, nothing has changed so much that you would like to change the (entire) plan…In aggregate you may be accomplishing the same thing. But if you dissect the plan (after implementation) and go back to when it was put together, by the time it's executed, all the pieces may be almost totally different,"* (2001: 49). Periods of dysfunctional management stemming from unforeseen disequilibrium can result from misinterpretation of events and inadequate adaptations in strategy content. *"A sluggish response to market shifts, coupled with periods of inter-functional incompatibility, result in poor inter-functional co-ordination and stopgap actions. Most energy devoted to improvisations and adaptations are described in terms analogous to knee-jerk responsiveness in our study relates largely to managerial guesses about what is likely to work in the short run or shots in the dark resulting most often from (a) unilateral attempts to address deficiencies in plans/planning, (b) unrealistic promises to customers and market intermediaries, (c) unrealistic views or plain failure to predict the nature of support their decisions are likely to gain from important constituencies within and outside the organization. In other words, the jazz-like improvisations that occur are liberally interspersed with resource and time-wasting motions in practice. Due to strong linkages between strategy content and the*

task environment, relatively minor flaws in interpretation, integration, or engagement tend to magnify, to gain momentum, and to exacerbate the dysfunctionality...We find that two managers beginning with similar strategy content can end the year with vastly differing results because of the subtle differences in their ways of managing day-to-day interactivity between planning and implementation," (Sashittal & Jassawalla, 2001: 59).

Gross (1968) made similar points for administrators and policy: he points out that genuine policy comes into being through the activities of an entire organization; purposes are given meaning and content by the people who cooperate in carrying them out. The highest officials vested with the authority for policy formulation, often do no more than (a) legitimise the policies developed at the lower levels of the hierarchy, (b) make slight adjustments in some of the proposals submitted to them, or (c) make occasional choices between submitted alternatives.

It may be that the role of senior management as a formulator of strategy is very limited, being more about catching up with change, rather that directing it top-down. For instances of rapid product innovation it is possible that *the only role for top managers is to retrofit their corporate strategy to the entrepreneurial successes that emerge from below. Here the value-added of top management is low indeed,"* (Hamel & Prahalad, 1989: 66). The organization as a whole is engaged in a learning process through internal communication and contact with suppliers and customers, and the role of senior managers is to manage this effectively (see review).

Not everyone is happy about Henry Mintzberg's ideas. Paul Robinson (1994), a former speech writer for President Reagan, commenting on his time as a student at Stanford, argued that strategic management gives *"a sense of a subject that didn't know what it was. One article, entitled Crafting Strategy, argued executives should develop their business strategy the way potters crafted clay, abandoning conscious, analytical thought in favour of feel and intuition...This Mintzberg* [1987b] *was the author who had compared running big companies to making clay pots,"* (196-199). Much of so-called emergent strategy may simply be a result of poor management; a case not so much of emergent as of mixed-up strategy.

It may be all a question of getting the balance right: *"In practice...both the hierarchical and emergent views of strategy formulation and implementation co-exist. Day by day organizational participants implement previously formulated plans. But they should be alert for opportunities to capitalise on changes among customers, markets, technology and competitors...must provide regular opportunities for double-loop learning – by collecting data about the strategy, testing the strategy, reflecting on whether the strategy is still appropriate in light of recent developments, and soliciting ideas through the organization about new strategic opportunities and directions,"* (Kaplan & Norton, 1996b: 252). *"Many successful strategies arise from local initiatives and experimentation. Employees who already have a clear understanding of the existing strategy, because of the communication and alignment processes* [of the scorecard]*...may innovate and find new and unexpected ways to achieve high-level strategic objectives or identify new variations in the strategy that open up new growth opportunities. Senior management should be encouraging employees to formulate emergent strategies and use their quarterly* [strategic review] *meetings to assess the viability of local initiatives,"* (Kaplan & Norton, 2001: 315).

Note that for these debates, incremental modifications are considered for their influence on longer-term strategy rather than as limited operational moves within that longer-term strategy. Not every change at an operational level will necessarily lead to modified longer-term strategy. Usually the need to manage change at an operational level concerns only shorter-term strategies (the objectives and means) that people are using to advance the longer-term strategy.

employer brand (see corporate image)

empowerment (see teamwork, incentives & rewards)
This involves giving people power to take decisions, and devolving responsibility to different parts of an organization. The importance of front-line managers in seeing what is going on in markets and then being able to act quickly to take advantage of opportunities is important. However, empowerment can go too far. It is a question of balance. While everybody may not be able to contribute to major strategic decisions, the relevance of strategy to daily work is important. For example, "*every individual in a corporation can provide better customer service, better information back to the home office, and make better decisions if she or he has a good understanding of both the company's strategy and some basic strategic management principles,*" Bourgeois (1996: 4). Empowerment does not necessarily mean more participation in the affairs of an organization, except in the sense that individuals and teams are empower to take responsibility for their own jobs rather, as in very functional forms of organization, they are directed to follow rules and procedures (see scientific management). For example, in total quality management, empowerment is centred on the tasks that a self-managed process has to perform, and does not mean that workers are empowered in a wider more democratic sense. Simons (1995b: 163) observes empowerment requires greater management control not less.

emotional intelligence
This is an ability to recognise one's own emotions and those of others. It is particularly important to leadership. Goleman *et al.* (2002) specified six leadership styles: visionary, coaching, affiliative, democratic, pacesetting, and commanding. They argued that the most effective leaders can skilfully switch between styles depending upon the situation. A related attribute is emotional intelligence (self-awareness, self-management, social awareness and relationship management).

enablers & business results (see balance)

enactment (see emergent view)
This is a concept proposed by Weick (1988) who used the term to describe that when people act they bring structures and events into existence and set them in action. He used this in the context of sense-making by managers and others. He suggested how this enacts limitations upon the organizational system to avoid issues or experiences. So, for example, enactment "*is both the process of making ideas, structures, and visions real by acting upon them and the outcome of this process,* [is] '*an enacted environment'…It reverses the idea of implementation – which is the putting of a plan into operation – by showing that people are able to act as if their ideas were already being implemented. It exchanges the idea of environment as given for the one as constructed…*[it is recognised that] *as best enactment is only partially*

successful…management is 'mindful' when it is aware of its own expectations, of the limited horizon of these expectations, and of the need for ongoing corrections," (Czarniawska 2005: 271). In the process of organizing, organizations undergo constant change (Weick, 1979). Enactment results because people are conscious of relationships, engage with each other, their organizations and their environment.

enterprise governance (see corporate governance)

entrepreneurial leadership (see leadership, innovation)
Entrepreneurial leadership is characterised by the personality, usually of a single owner-manager, or sometimes of a few collaborating individuals, who impose their view on the business in ways that are characteristically innovative. Entrepreneurship as a subject domain can be simply about starting a new enterprise. Entrepreneurial leadership is then associated with small and medium sized business (SMEs), and a style and vision associated with an owner manager. But it can also apply to a top executive of any organization: for example, a CEO who heads a corporation and who embodies in his personality and style what an organization is about, which employees intuitively understand and use to guide their own actions. These may be articulated as values and strategy. At Virgin the culture is one of why not, rather than why, according to Gordon McCallum, Virgin's Group strategy director. Virgin has articulated this perspective in terms of guidelines: Virgin will enter a market if it can challenge existing rules; can give customers a better break; be more entertaining, and put a thumb in the eye of complacent incumbents.

Ansoff wrote about entrepreneurial behaviour, organizational behaviour that strives for constant change (see management of change). Strategy can be regarded as an entrepreneurial posture, where a company scans its environment for opportunities to exploit change or future change (see management of change). In this sense strategic management must be entrepreneurial.

The concept of entrepreneurship owes most to Schumpeter (1934), but he defined an entrepreneur as an innovator from the point of view of the economy as a whole, not from the point of view of the firm. However, innovations are understood as the key drivers of market change and firms have to constantly adapt to a changing environment, so some entrepreneurial activity is probably required in most firms. Penrose (1959) defines this as possible at any level or for any individuals and groups, *"which relate to the introduction and acceptance on behalf of firms of new ideas, particularly with respect to products, location, and significant changes in technology, to the acquisition of new managerial personnel, to fundamental changes in the administrative organization of the firm, to the raising of capital, and to making plans for expansion, including the choice of method of expansion…*[these she contrasts with] *managerial services which relate to the execution of entrepreneurial ideas and proposals and to the supervision of existing operations. The same individuals may, and more often than not probably so, provide both types of service to the firm. The 'management' of a firm includes individuals supplying entrepreneurial services as well as those supplying managerial services, but the 'competence of management' refers to the way in which the managerial function is carried out while the 'enterprise of management' refers to the entrepreneurial function,"* (32).

Over the longer-term entrepreneurship is probably not sufficient for success, but it also needs to work with a degree of managerial order. In the context of Internet winners and losers, Kieran Levis argued that a tension is necessary *"between the creative, sometimes anarchic, elements and the forces of managerial order. Achieving the elusive balance of disciplined entrepreneurialism – maintaining the creative energy and professionalism – is a trick that very few organizations pull off many creative people and organizations are hopeless at practical tasks, and practical people and organizations frequently lack the creative spark. There is an inherent tension between originality and efficiently, radical thinking and disciplined activity. Too much brilliance with no discipline means products don't get delivered on time and costs run wild. Too much emphasis on efficiency and control crushes originality and inhibits experimentation."* (118).

"In the long run, as business gets bigger and requires more and more predictability and therefore more discipline and convergent thinking, the anarchic tendency tends to be squeezed out, and with it often the creativity...For the most part entrepreneurs like Howard Schultz at Starbucks and the founders of Google have concentrated on strategic or technical issues and delegated decision-making on detailed operations to people with more management expertise or interest," (121). *"The success stories have all been good at getting large numbers of people with different skills and backgrounds to work effectively together. Market creators tend to be innovative in several ways, but the critical innovations are those that have a bearing on business success, rather than personal satisfaction...The market creators...rarely pursued innovation for its own sake, but constantly sought ways of making products more attractive to consumers, of differentiating themselves ,more sharply from the competitors, of developing stronger relationships with suppliers and customers,"* (122).

Entrepreneurial organizations are oriented towards exploration and discovery, while mature ones are optimised for exploitation and execution (see exploitative and explorative learning).

epistemology (see methodology)
ethics (see business ethics)
EU (European Union) (see globalization)

evidence-based policy (see quality tools, root cause analysis)
A current idea mainly associated with public sector management (especially the UK health sector), where a stress is placed on the evaluation of the grounds for social projects and programmes before they are accepted. The idea is that policy should be based on knowledge (as such it has a lot in common with 'management by fact' in TQM, see quality tools). The approach aims to counter a possible tendency for policy-makers to rush into strategy and action without the preparatory work to ensure that a case exists, and that all the consequences are understood. In fact, evidence is often used partially and selectively, by both advocates of a strategy, and those who are opposed to the change: sides are taken, and minds are made up without a full evaluation of evidence. The idea is not to make a case for something (a lawyer's approach) but rather to be evaluative. Programmes and projects should be evaluated adequately during and after their implementation; otherwise, it is difficult to identify their impact and to learn from the experience, so to be able to inform future policy-making.

evolutionary view of strategy (see resource-based view, the emergent view)
Hannah & Freeman (1984), taking what they call an ecological view, point out, among other things, that the degree of coupling between individual intentions and organizational outcomes is important in considering the applicability of Darwinian arguments to organizational populations. *"If top management can anticipate the future and can adjust strategies and associated organization forms accordingly, then adaptation would not be random with respect to future states of the environment. However, if organizational outcomes are largely decoupled from top management intentions, then organizations as collective actors cannot be viewed as guided by non-random adaptations,"* (reported in Burgelman, 1986). Changes in the environment beyond an individual or an industry's control occur, but it is also likely that the nature of organizations, and how they are positioned and managed, are likely to influence change, not just locally but also more generally (leaving aside the role of governments and other agencies).

excellence (see performance excellence, best practice, world class performance)
The EFQM has defined excellence as: *"Outstanding practice in managing the organization and achieving results based on fundamental concepts which will include: results orientation, customer focus, leadership and constancy of purpose, processes and facts, involvement of people, continuous improvement and innovation, mutually beneficial partnerships, public responsibility,"* (EFQM, 1999). This definition is used for the EFQM's excellence model. Excellence was popularised by the biggest selling management book of all time written by McKinsey & Partners consultants Peters & Waterman (1982). It established excellence as the management fashion of the 1980s. The book is largely based around McKinsey's seven-S framework, but it stresses eight principles for management: a bias for action, customer closeness, autonomy and entrepreneurship, people, hands-on and value driven, stick to the knotting, lean organization, simultaneous loose-tight control. Peters has since rejected excellence, as the exemplar companies used in the 1982 book have faltered. He has since taken an iconoclastic stance emphasising chaos and excitement as positive influences on innovation and change (1987, 1995). His influence on organizations, which have tried to minimise structure and command and control, such as the Virgin group of companies, has been very strong.

experience curve (economies of scale & scope, competitive strategy)
Originally called the 'learning curve' (as early as the 1920s), it was more formally defined by Bruce Henderson (1984) of the Boston Consulting Group, around 1970, as the experience curve: as when the accumulated production over time of any good or service doubles, unit costs in real terms (adjusted for inflation) have the potential to fall by 20-30%. *"The experience curve is the result of the combined effect of learning, specialisation, investment and scale,"* (Henderson, 1974a: 3). The more a task is performed the lower will be the cost of performing it. Each time cumulative volume doubles, value added costs (including administration, marketing, distribution, and manufacturing) fall by a constant and predictable percentage. It is associated with a cost leadership strategy. It has been used as a justification for a firm to try to gain a large market share quickly by investing heavily and aggressively pricing products and services in new markets. The firm can recover these high initial costs once it has become a market leader and has built itself a cash cow. Firms should seek to continuously move along and down a learning curve before their competitors do. Radical change such as the advent of a new technology may offer a chance to jump to

a new curve, when the initial gains from new experience may be high: *"Understanding of the underlying causes of the experience curve is still imperfect. The effect itself is beyond question. It is so universal that its absence is almost a warning of mismanagement or misunderstanding. Yet the basic mechanism that produces the experience curve effect is still to be adequately explained,"* (Henderson, 1974b: 1).

explorative, exploitative learning (see management of change, dynamic capabilities) Exploratory/exploitative learning are terms used by March (1991) for the kinds of learning (based on feedback) an organization requires for different modes of change.

"There is a fundamental trade-off between the creation and use of assets (March, 1991), because the creation of new assets gets in the way of an efficient use of existing resources," (Stieglitz & Heine, 2007: 7).

"Organizations divide attention and other resources between two broad kinds of activities (March, 1991). They engage in exploration – the pursuit of new knowledge, of things that might come to be known. And they engage in exploitation – the use and development of things already known. An organization that engages exclusively in exploration will ordinarily suffer from the fact that it never gains the returns of its knowledge. An organization that engages exclusively in exploitation will ordinarily suffer from obsolescence. The basic problem confronting the organization is to engage in sufficient exploitation to ensure current viability and, at the same time, to devote enough energy to exploration to ensure its future viability. Survival requires a balance, and precise mix of exploitation and exploration that is optimal is hard to specify," (Levinthal & March, 1993: 105). *"Firms may often face the choice between the exploration of new opportunities with high uncertainty but a high payoff in case of innovative success, and the exploitation of existing knowledge by improving and modifying what is already known. A major trade-off may be present between the pursuit of exploitation strategies which guarantee short-run low-risk returns but may lock firms into existing technologies and push them to disregard all new opportunities, and exploration strategies which open up totally new areas and fields but never allow the consolidation of what has been discovered into persistent and cumulative sources of profits. Actually, once explorative or exploitation strategies have been chosen, organizational dynamics may adjust and consolidate the chosen strategy (March, 1991),"* (Dosi & Malerba, 1996: 6).

Possible examples of exploration strategies could include diversification, networking, and strategic alliances; for exploitive strategies these may be specialization and full integration (Malerba & Orsenigo, 1996). *"The dilemma can be seen – (Levinthal, 1996) – from the point of view of learning and adaptation to changing environments. Learning, that is the cumulative development of skills and knowledge, is closely related to specific cognitive frameworks and becomes institutionalized in the form of standard operating rules (routines). Adaptation refers to the revealed performances of the responses to a firm's environment. It may imply a change of routines, strategy or structure in order to fit new environmental conditions. As a consequence, situations of competency traps may occur if organizations have aspirational levels reflecting past performance and focus on learning and exploitation rather than focusing on innovations, adaptation, search and exploration. In this sense, in changing environments organizational learning may involve organizational inertia and lock-in…In general, in changing environments the firms which survive are those*

that are capable of reorienting themselves to new 'adaptive landscapes'. They are likely to be composed, Levinthal [1996] suggests, of decentralised and loosely coupled subsystems and have an internal diversity able to generate multiple bases learning processes...As firms learn and develop distinctive competences, they may compromise their possibility of survival outside those competences and niches, particularly when environmental conditions change," (Dosi & Malerba, 1996: 7).

Using the terminology of James March (1991), tightly coupled organizations cannot engage in exploration without foregoing the benefits of exploitation. *"Within a tightly coupled organization, efforts at search and experimentation tend to negate the advantages and wisdom associated with established policies and thereby places the organization at risk of failure. In contrast, more loosely coupled organizations can exploit the fruits of past wisdom while exploring alternative bases of future viability,"* (Levinthal, 1996: 35). *"As learning organizations develop distinctive competences and niches, they simultaneously compromise capabilities outside those competences and niches. When conditions change, the learned skills become impediments. There is, of course, no assurance that this organizational problem is solvable. The organization cannot survive in the long run unless it survives in each of the short-runs along the way, and strategies that permit short-run survival may tend to increase long-run vulnerability,"* (38).

"A dynamic cycle may emerge in which firms first become specialised though learning and then are eventually replaced through market selectivity into the new environment... The theme also links with the nature of technological change and, in particular, to its 'incremental' versus 'paradigmatic' features. In fact, it has been claimed that the core competences, which may form the base of the competitive advantages of corporations in periods of incremental technical change, may lock in firms' activities and induce a high degree of inertia in situations of radical technological change (Tushman & Anderson, 1986). In this situation, core capabilities of established firms become core rigidities (Leonard Barton, 1992b) and technological change becomes competence-enhancing (Henderson & Clark, 1990). Note, whoever, that the issue is quite controversial and some scholars suggest that the modern multi-technology corporation is able to internalise also 'paradigmatic discontinuities' (Patel & Pavitt, 1994, 2000)," (Dosi & Malerba, 1996: 7).

A distinction is sometimes made between dynamic capabilities and organizational routines; where the former is likely to be more associated with radical organizational change, and the latter with incremental change. However, Benner & Tushman (2003) suggest dynamic capabilities are concerned with both exploration and exploitation, but the organizational form that a dynamic capability takes will depend upon the stability of an organization's environment. Exploration is more important for unstable environments, while exploitation is more important for stable ones; so the nature of the degree of an appropriate form of dynamic capacity will be different for each. Teece (2007) points out that *"with respect to the different mindsets and routines, while there are undoubtedly tensions, these can be relieved by having different organizational units (or different parts of the organizational unit) specializing to some degree on sensing* [external and explorative] *as compared to seizing* [internal and exploitative]. *As Gupta, Smith & Shalley (2006: 697) note: 'exploration or exploitation in one domain may coexist with high levels of exploration or exploitation in the other domain',"* (Teece, 2007: 1343).

March (2006) argued that rational technologies (such as the tools and techniques used in strategic management to make strategic choices) are unlikely to work for complex situations and explorative learning. Writing about sensing and seizing opportunities as dynamic capabilities, Teece (2007) argued that *"Entrepreneurship management has little to do with analyzing and optimizing…It involves recognising problems and trends, directing (and redirecting) resources. Reshaping organizational structures and systems so that they create and address technological opportunities while staying in alignment with customer needs,"* (1346-1347).

A similar notion to explorative and exploitative learning is the Fiol & Lyles (1985) dichotomy of high order and low order learning. These are different levels of learning. The former is more complex, involves double-looped learning and is associated with ambiguous issues and long-term outcomes. Lower-order learning is shorter-term, routinised and adaptive in nature. It is the former that promotes real change by producing highly differential non-routine behaviour and is the most important to competitive advantage.

executive (see senior managers)
The senior level of an organization's management.

external environment (see strategic choice. competitive strategy)
This includes those conditions that influence the external changes in its industry, especially ones that influence the intensity of competition.

facilities management (see outsourcing)

fads & fashion (see consultants, gurus)
Management philosophies and business methodologies, activities such as mergers and acquisitions, different approaches to strategy, structure and systems, and so on, are all subject to fashion and fads. In some ways this reflects short-term thinking and reflects that many leaderships are short-lived, so that one style of leadership is soon replaced by another. Peter Drucker (1964) warned of these things, especially 'unnecessary specialities' and 'the speciality that needn't be one'. Many companies may have too many offers, or over-engineered products, largely because everyone else has them.

**FAIR (focus-alignment-integration-review)** (see strategic management)
Strategic performance management mobilizes an organization-wide effort to achieve four main things: focus, alignment, integration, and review. Organizations in addition to organizational structures for implementing strategies need to install an organizing framework for realising them. In general, executives deal with implementation that is effective immediately after decision making by putting in place organizational structures and systems, but implementation that is executed through an organizational-wide effort requires a strategically managed system to link daily management to strategy. These systems are called variously strategic performance management or delivery systems, or hoshin kanri, which is a Japanese term for policy management.

If a strategy crafted at an executive level is to work at operational and daily management levels, then it must be effectively linked to the organization's management systems and processes, using a central framework that coordinates other management programmes, such as budgeting, functional and other local strategic priorities, and the setting of personal targets. Without these connections an organizational-wide effort devoted to strategy is unlikely to be achieved. This requires more then a calendar of dates and deadlines; it requires the proactive involvement of an executive and its senior managers to manage strategy implementation.

Focus, alignment, integration, and review (FAIR) are key tasks for strategic performance management. These tasks involve managing strategically related annual priorities, or policies, across the whole organization. The four tasks can be managed as four phases of an organization-wide process, by the senior level of an organization as part of its strategic management, to translate longer-term strategy into shorter-term plans and action.

The *FAIR* cycle in the figure shows an annual cycle for implementing strategically-relevant priorities in daily management through the four FAIR phases. The focus phase is carried out by an organization's executive and its senior management to develop and agree the vital few breakthrough objectives and the means to achieve them. These are used during a following alignment phrase as the key priorities that must come first, in deciding and agreeing everybody's annual plans, and bringing in line budgets, incentives, and other management systems. The integration phase involves working to strategically-relevant priorities as an integrated (and normal) part of daily management, which is likely to include periodic strategic reviews of work as it progresses through the year. The review phase of the FAIR cycle is a senior level annual evaluation of the whole FAIR cycle to understand how effectively the organization as a whole has worked to achieve the strategic priorities. The review is used to question and evaluate the current status of the mid-term (3-5 year) plan, within the context of longer-term purpose and strategic objectives, to inform senior management how it should decide its strategic priorities for the next focus phase, for the following year.

The Four FAIR Phases for Managing Implementation as a PDCA Annual Process
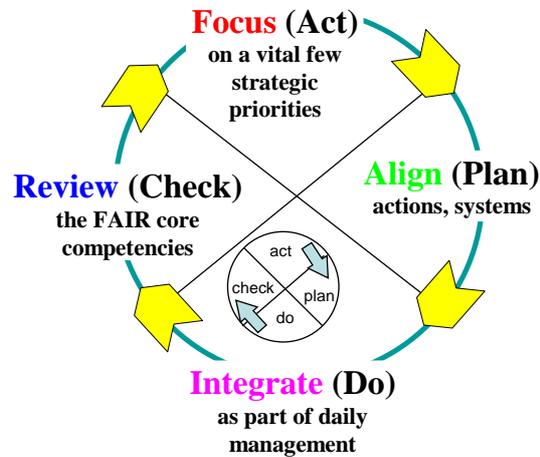
Hoshin kanri is an annual strategy implementation approach that uses, explicitly, the Deming cycle to manage the FAIR phases – so that hoshin kanri is a PDCA-managed annual process for 'hoshin' management (see figure, PDCA is shown in brackets). It is managed by senior managers, where 'focus' is when they act on the feedback from 'review', which provides a check on how the hoshins are managed by everybody as part of 'integrated' daily management, which is working to everybody's annual 'plans' that were agreed during the 'align' phase, and which had used the hoshins as strategic priorities handed on from the previous 'focus' phase – and so on. The FAIR approach can be used for non-hoshin kanri approaches, such as objectives and measures derived from a strategic balanced scorecard. Probably the key element is 'review', but making sure that review works to ensure a senior level understands and learns about how its strategy is working in the organization at large. However, the whole rests on effective PDCA-based managing: that every process of work should conform to PDCA principles, which applies to both the annual FAIR process, but also to every activity in daily management (signified by the PDCA cycle shown in the figure for the 'integrate' phase).

feedback (see review, process, learning, systems thinking)

family business (see SME)
Craig and Moores (2005) argued that the core essence of a family firm should be formally articulated as the values the business and family overlap: *"This is deeming a differential factor for family business, but has been found to be both necessary and difficult to define because it is often linked to the founder or founding generation and embedding and identifying these values takes time to form part of the family business culture,"* (111). They propose a PEC statement (which addresses power, experience, and culture), and gave an example for an anonymous family business.
"The Smith family is committed to remaining a family-owned company (where family ownership is identified as hold at least 51% of the shareholding), and will be governed by a board of directors that will be made up of family and non-family members who are appointed for their ability to provide strategic direction to the

company and to ensure its sustainability, and will be managed where appropriate by family members who are appointed on their suitability and whose performance will be assessed objectively as would non-family management. We value the involvement and contribution of family members in our business and are committed to upholding the family traditions established by the funding generations. It is the responsibility of the incumbent generation to ensure that following generations are versed in what it means to be a member of our family business and are suitably prepared to join the business if they choose. We are committed to the strong ethical values of the founding generation and believe that it is these values that will contribute to the long-term sustainability of our family business," (*ibid.*). The authors state that this PEC statement encapsulates the core values which provide the foundation for the firm's vision and mission.

financial perspective (see budgets, corporate governance, productivity)
"Finances: The short term funds required for the day to day operation of the business, and the capital funding from various sources required for the longer term financing of the organization," (EFQM, 1999). Financial indicators of performance and resources are essential. By themselves, however, they may only reflect shorter-term performance since they are based primarily on results or output. They may downplay longer-term and more intangible management performance (see the balanced scorecard). The traditional financial accounting model in particular has been criticised as measuring events of the past, not the investments in the capabilities that provide value for the future (Kaplan & Norton, 1996). It can encourage short-term fixes and downplay the contribution of intangibles and intellectual assets. It can also encourage a way of doing business built on short run market exploitation that militates against customer loyalty. Interviewed in the wake of the Enron collapse, Stephen Cooper noted as dangerous a tendency to short-termism. It is argued that German and Japanese firms, in particular, are different from Anglo-Saxon ones, in that they are less preoccupied with financial objectives (see productivity).

"A lot of the companies we're worked with have gyrated their businesses to meet quarterly or semi-annual or annual expectations about revenues, earnings, balance sheet positioning. They sacrifice the long-term heath of their businesses by jamming steroids into their corporate body every 90 days. They dance to the tune of very fickle institutional investors, as opposed to shaping the body through regular exercise and the right diet for the long haul...[it is the not the fault of financial markets, but it is the fault of management]...*They have brought it on themselves. We've created a crazy expectation that every quarter has to be better than the prior year. The fact is that there are good quarters and bad quarters. Investing in a market today is like being on the end of a yo-yo; you don't know if you are up or down and you don't know why...Just because everybody does it doesn't mean its smart or good business... If things are going great, management typically wants credit for that. When things are going poorly, management typically wants to blame someone or something other than themselves. They just can't bring themselves to believe that this is happening to them and that they have been instrumental in creating it.* [He used examples of retailers who always blame the weather]...*'It was too hot, too cold, too dry, too wet. You finally conclude that there are maybe only two or three days a month when the weather's OK for retail,"* (Maitland, 2003a).

Enron was involved in such diverse businesses as electric power, Internet bandwidth, pulp and paper. It started as a supplier of natural gas, took advantage of the privatisation and freeing up of the international utility markets, and focused on industries undergoing rapid change. It was much admired, but the pressures to sustain its rapid rate of growth was probably a contributory factor leading to the corrupt accounting practices and financial structuring that brought about its downfall. (See values-mission disconnect.)

A contrary view to the financial perspective comes from Toyota. *"Favouring long-term strategies over the quick fix is a well-established practice for Japanese businesses. In addition to this cultural tendency, Toyota focuses on the future largely because its leadership feels that respecting its people requires a long-term outlook. This, the company makes plans at 3, 5, 10, 15, and 20 years and makes decisions on everything from product development to marketing in those time frames. If an initiative is not good for the future, why do it today? For example, Toyota could have easily shifted from a pull system to a push system of production several years ago, leaping past global competitors in size. Instead, the company opted to stick with its longer-term strategy, which yielded profitability and consistent growth since 1951,"* (Magee, 2007: 105). In early 2007, Ford posted the worst quarter in its 103-year history, while Toyota posted its best quarter ever. Not since 1951 has Toyota reported a full period loss. *"In essence, Toyota remained a car company while larger competitors allowed themselves to become shaped by the image of trucks. One Corolla yielded far less profit than one Chevrolet Suburban, but building gargantuan vehicles was not in Toyota's immediate plans. Toyota executives, therefore did not abandon their long-term strategy to chase the next new thing before it burst; they moved methodologically, and executed the plans that had been in place for years. As GM. Ford, and Chrysler were investing significant resources in building bigger and bigger gas-guzzling vehicle,"* (Magee, 2007: 107).

"As in any improvement initiative, changing the focus of decision making from short-term to long-term is often not successful without a commitment to implementation. Working for the long-term is a mind-set, requiring a clear understanding that what is good for tomorrow is best for today. Prioritising goals is key, as is understanding that the leading objective is something other than besting the previous month's sales record.

The focus should be not on positive numbers themselves, but on the things that contribute to them, like better serving the customer and contributing to society. Positive numbers may be a cause for celebration and con conformation of a job well done, but they cannot be used as guides or to influence core principles. For Toyota, such as approach has allowed the company to look beyond the short-term pressures of quarterly reports. Says Jim Press [president of Toyota Motor North America, speaking in December, 2006], *'Our goal isn't to sell more cars. Our goal is to give to customers more quality. If we do a good job, our sales will go up…but out goal is not higher sales and profits. We work for the customer. We strive to give them peace of mind.'*

Toyota's commitment to a long-term approach begins at the top. The principle dates back to the company's founding and remains both a practice and a conviction today. Press recalls receiving this wisdom firsthand during a dinner at Dr. Shoichiro Toyoda's home in Japan. The company's stock price has experienced a run-up earlier in the day, investors had apparently liked some Toyota-related news report or

rumour. Making dinner conversation with Dr. Toyoda, Press mentioned that he saw the closing stock price, assuming Dr. Toyoda was thrilled as one of the company's larger shareholders.

His dinner partner responded quickly: 'I do not watch the stock price. If I did, I might make bad decisions for the company,' declared Dr. Toyoda definitively." (Magee, 2007: 114-115).

Generally, however, all large publicly quoted companies must give attention to strong financial performance. Also, financially based corporate management can be done well and does not have to result in short-termism. Take the example of Lord Weinstock, famous for his brand of financial management while he was CEO at GEC for 33 years. *"We had to develop a set of efficiency criteria, which could be applied generally. The figures did not have to be exactly right, just so long as they were adequate to show up the tendencies of the different elements of the business. A colleague went to the US to scout around and identify best practice. He brought back data related to our own industry on turnover of stocks, debtors, margins, that sort of thing, which we refined into a set of ratios and statistics the company has used ever since. This gave us a snapshot every month of each operating unit, expanded with a commentary by its management. It can be misleading if you are not told the truth, but generally it has worked. At the end of each month, for over 30 years, I have taken home two bags of these monthly reports to break the back of this rather onerous but necessary chore. Between Friday and Sunday I would go through the reports, writing notes and comments on them to be picked up by management. If I went every day to one plant for only half a day, I could not cover all the GEC factories. Even if I did, the result would be minimal, because people would know that I wouldn't be back for a long time,"* (Lambert & Gray, 1996: 5).

This management by distance can result in poor corporate decisions if it means that senior management is too far removed to understand the implications and consequences of its decisions for different parts of the group. Usually other indicators of performance are also important. Derek Wanless, ex-CEO of NatWest Bank, observed that *"One of the weaknesses of the banking industry is that our traditional performance measures have always been biased towards external financial reporting. They have not measured the broader values in terms of quality, service and speed. Financial measures have not led us to innovate and learn to motivate longer-term behaviours,"* (quoted in Neely, 1998: 30). Boulding (1966) suggested that with the *"development of accounting, the measurement of profit became much more exact, but as a result…certain other elements of the total value situation became less prominent and, therefore, neglected, such things for instance as morale, loyalty, legitimacy, and intimacy and complexity of personal relations,"* (166).

The financial perspective and organizational form come together most spectacularly in a holding company approach. This involves a diversified corporation that has a very small corporate headquarters; its primary job is to monitor the corporate divisions on their financial performance (such as return on investment, operating income, sales, generation of cash flow) and act as a corporate banker, concentrating on high financial performance.

financial supermarket (see growth strategies)

first-mover advantage
A first mover advantage is held by an organization that creates a new market and as the market develops is able to exploit a dominant position in terms of reputation, market share and economies of scale, and knowledge (particularly of developing technologies and the changing requirements and behaviour of customers). First mover advantage played a *"crucial role in eBay's sudden success, in Sky Television winning its battle with BSB, and in Jeff Bezos's* [Amazon] *get-big-quick strategy.*

Making the first move, however, is not the same as creating a market. It may help in building a lead, but it is no guarantee of holding on to it and has been a siren song that led many businesses astray. For every case where it appears to have been decisive, there are many more where the pioneer was quickly displaced...Netscape is a classic example – as was Sony in VCRs, Apple in personal computers, not to mention Adair, which produced the first primitive PC kit in 1975. Microsoft has scarcely ever been first into a new market. It made itself master of the universe to a considerable extent by painstakingly copying other people's ideas, and sometimes imposing on them, and occupying their markets. Google likewise benefited from not being first into search or contextual advertising...A good reason for being the early bird is when there is only one worm: a unique resource – a particular location for a retailer, an exclusive licence to a technology, or the rights to uniquely attractive programming can be critical to success," (Levis, 2009: 220-221).

The advantage is sustainable if barriers to entry are high and strong relationships are formed that tie in customers so that customer switching costs are high. *"There are essentially two strategies for holding on to it. One is to keep capabilities so distinctive and customer propositions so compelling that competitors cannot match them. The other is to cultivate strategic assets* [see resource-based view] *that act as barriers to competitors...the safest strategy combines both,"* (*op cit.* 220).

Switching costs are important. For an existing industry player, they can be the organization's greatest strategic asset, especially when they are reinforced by an established brand.

five competitive forces model (see competitive strategy)

five-S framework
This is the five principles for good (factory) housekeeping: (1) Seiri – tidiness; (2) Seiton – orderliness; (3) Seiso – cleanliness; (4) Seiketsu – standardised clean-up; (5) Shitsuke – discipline. These are used to build up worker commitment.

flexible manufacturing (see lean working, scientific management)

forecasting (see long range planning)
This is the prediction of future trends and possible outcomes.

focus (see FAIR, priorities, diagnostic objectives, cross-functional management)
Focus is a part of FAIR when senior management determines the over-riding annual priorities. The following figure suggests focus is a balanced function of time and is made specific through planning, when the longer-term objectives are translated into priorities for business unit plans (annual objectives and the strategies to achieve

them). Thus the overall priorities for planning are decided by senior management. This decision is based on a check of the classic components of corporate strategy formulation, including vision, values, mission, corporate goals, status in regard to environment, internal resources including key cross-functional and functional processes, plus feedback from the previous planning cycle (the review part of the strategic management annual process).

A balanced scorecard may be used to aid focus; indeed this is a primary purpose for cause-and-effect and strategy maps – to facilitate the setting of targets and initiatives for action. Lawrie & Cobbold (2001) note a distinction should be made between the communication (and monitoring) of strategic goals, and performance management and compliance in existing operational processes. *"The balanced scorecard when used as a strategic control system is designed to improve focus on what is important in order to achieve long-term goals...An effective strategic control system will not make existing performance management tools redundant, but rather align all systems in support of the same goals and perhaps refine their content,"* (3). This agrees with the idea that focus must take into account the needs of daily management (and cross-functional management). *"High level target setting and strategic communication should be based on ongoing interactive dialogue between management levels and support functions. As opposed to instructions and directions,"* (4). In other words focus must be agreed (perhaps by a process that is analogous with catchball).

The aim of focus is to achieve a synergy where the organization addresses in concert its core and vital issues in ways that will make the most difference to achieving its goals. Priorities need to be stated in a form that avoids their organization-wide disaggregation as they are cascaded and managed on a functional basis. It is largely impossible in a complex organization to build a cascading network of linked objectives; focus should instead position an organization's annual priorities at the centre of activity so that they are addressed rather than simply used to re-label existing work. It should involve senior management in an understanding of how change is managed cross-functionally and the balance of investment between enabling (and developmental) needs and the need to achieve short-term results.

focus generic strategy (see competitive strategy)
This is competitive strategy focused on a particular part of an industry, such as a market segment or niche, which is based on either low cost or differentiation.

forcefield analysis (see unfreeze-change-freeze)
Fordism (see scientific management)

framework (see theory, systems)
Terms like 'framework', 'model' and 'systems' are commonly used interchangeably. *"A framework, like a model, abstracts from reality. It endeavours to identify classes of relevant variables and their interrelationships. A framework is less rigorous than a model as it is sometimes agnostic about a particular form of the theoretical relationships that may exist,"* (Teece, 2007: 1320). Frameworks are typically skeletal, and are used to organize thinking and activities along normative, rather than prescriptive lines. For example, a corporate balanced scorecard is typically employed across an organization as a reference framework which departments and other units use to determine their own objectives.

franchising

Franchising is a contractual relationship between a parent organization (the franchiser) and its partners (franchisees) that specifies the control, sharing, and use, of the franchiser's strategic resources. The primary role of a franchiser is to develop these resources and capabilities and transfer them to the franchisees to compete effectively at a local level. Franchisees on their part should feedback to the franchiser knowledge about their competiveness and how to become more effective. In other words, the franchiser works closely with franchisees to develop the whole business and strengthen the franchise's brand.

The franchiser charges for the right to make use of its brand name, products, operating systems, marketing etc. The franchisee gains knowledge and skills quickly, and is able to exploit the reputation, systems (etc) of the larger group. For the franchisor it is fairly economical way to grow without raising capital and extra risk. Some multi-nationals are organised around franchises (e.g. McDonald's, the Body Shop). Franchisers typically own around 15% of the outlets, the others owned by the franchisees. The franchise model is based on a strong centrally controlled form of performance management in terms of how people must manage the franchise. In a sense this is about core competence: the common ways of working people must have to be able to provide the same standard of product and service wherever the product and service are made available. Franchising is also an effective way for top management of a large multi-national, such as McDonald's, to retain control over the implementation and execution of its business model without too much structure (Ray Kroc claimed McDonald's was the most unstructured company he knew), although there may be a trade-off in favour of centralised control and diminished creativity and innovation at the local level.

functional management (see scientific management, management, integration)
Functional management is the management of work involving its division into specialist activities that are normally organized into departments, such as design, purchasing, operations, marketing, finance, human resources, IT, and so on. *"Many companies, and particularly large companies, are organised around departments that specialise in certain functions, such as marketing, design or purchasing. This specialisation is a characteristic of the division of labour approach, where a job is split up into simpler parts in order that individuals can carry out a small part of the task very efficiently. Provided that the problems associated with co-ordinating the separate parts are not too difficult to resolve, this approach has much to recommend it. In the 1970s, however, it became apparent that many companies were having problems with this co-ordination task. Typical problems included products brought to market late, products that were poorly designed or of poor quality, and large inventories in manufacturing and logistics operations. These problems were translated into business failure in many cases by the emergence of high quality, lower cost competitors particularly from the Far East,"* (Tilley *et al.* 1994).

Much of the operational effectiveness of the Japanese is driven by cross-functional structure. The Japanese had recognised that specialists tend to act as if their own department is more important than the organization as a whole. Of course, specialists support and direct operations, but they can also create blind spots and functional silos that can hinder overall strategy. In the USA, Kanter (1983) argued management must

adopt a consultative and facilitating role to break down what she called segmentalism. Kondo (1988) observes that a Japanese company does not provide so many numerous centralised functions, such as quality planning, co-ordination, and auditing, but instead these are carried out by line personnel, who have the necessary education and training. Japanese companies do have central departments, but these are typically small and perform only a limited array of activities, including objective deployment, review and consulting services.

Discussing the importance of a central goal to an organization, Drucker (1955) argued functionalism is a cause of misdirection. Three stonecutters were asked what they were doing. *"The first replied: 'I am making a living.' The second kept on hammering while he said: 'I am doing the best job of stone-cutting in the entire country.' The third one looked up with a visionary gleam in his eyes and said: 'I am building a cathedral.' The third man is, of course, the true manager. The first man knows what he wants to get out of the work and manages to do so. He is likely to give a fair day's work for a fair day's pay. But he is not a manager and never will be one. It is the second man who is a problem. Workmanship is essential; without it no work can flourish...there is always the danger that the true workman, the true professional, will believe that he is accomplishing something when in fact he is just polishing stones or collecting footnotes. Workmanship must be encouraged in the business enterprise. But it must always be related to the needs of the whole. The majority of managers in any business enterprise are, like the second man, concerned with specialised work,"* (120).

A related concept is professionalism. This is the idea of 'the expert', where a professional will typically receive a formal qualification after specialist training. Management is regarded as a profession: where the science (and art) of managing is regarded as a specific activity that in principle is the same for all organizations. The professionalism of management might have worked to intensify organizational segmentalism if it has helped detach 'management' from other organizational activity. For example, the idea that managers should plan and workers implement, is an idea associated with scientific management. Kondo (1988) argued that professionalism is a western concept that came late to Japan; consequently its influence may have been less strong and this is a reason for the importance in Japan given to cross-functional management. Mintzberg (1994) suggested strategic planning *"is just a reflection of the American (and generally Anglo-Saxon) love affair with 'professional management',"* (1994: 415).

Professionalism is associated with modernism: the idea that human activity can be designed systematically (quasi-scientifically) and implemented as best practice to achieve a desired result. The football success of England in the 1966 World Cup was a result of professionalism, but it may also have been at the expense of flair (even innovation). *"England's historic success was seen to be the result of players being 'professional' and 'doing a professional job'. Alf* [the team manager] *had had a game plan and he picked the players to suit that game plan. What he didn't do was create a game plan to suit the styles of the players at his disposal. Each player had a job to do within the game plan. They did it and England won the World Cup. Though players enjoyed a degree of freedom with this game plan, there was no place for a player who might want to stamp his own idiosyncratic style on the course of a game. No place for a maverick with a penchant for playing to the crowd. Players had to be*

professional and do the job they were being paid to do. The modernisation of English football had picked up momentum since the late fifties. Even before 1966 coaches were having a bigger say in how the game should be played and teams were better organised…[but it was] *the death knell for players who were given to fully expressing themselves in the course of a game. Being 'professional' seeped into the subconscious of the game and any player who took it upon himself to play-act in the course of a match, or play to the gallery, was deemed to be 'unprofessional',"* (Jimmy Greaves, 2004: 358).

functionalism (see paradigm)
A concept from social science, specifically anthropology (Malinowski, 1944; Radcliffe-Brown, 1952), and later used in sociology to analyse the structure of a society to identify how each strata of society contributes to the functioning of the whole. This approach reflects a (perhaps optimistic) belief that the study of society and organizations would yield law-like relations between social phenomena (Hassard, 1993). In the sense that much management research investigates how organizational functions work to achieve overall goals, then management studies can be described as primarily functionalist in orientation. This is sometimes criticised as conservative, as it may focus management theory and research on explanations of existing forms of behaviour, and ignore issues of social choice and radical change (e.g. see the reference to a functionalist paradigm in Burrell & Morgan, 1979).

functionalism versus intentionalism (see functional management)
Specifically this is a historiographical debate about the origins of the holocaust. Intentionalism places an emphasis on the part played by Hitler and the leadership in planning (top-down) the murder of the Jews (and others), while functionalism stresses the role of lower levels, especially in the German bureaucracy (Hilberg, 1961). A phrase, 'cumulative rationalisation', is used *"to sum up the way extreme rhetoric and competition among different Nazi agencies produced increasingly extreme policies,"* (Wikipedia, 2006). Bauman (1989) argued that modernity increasingly rationalises, and the state relies *"for its functional efficiency on ideological mobilization, because of its pronounced tendency to uniformity…because of its civilizing mission and sharp proselytizing edge, and because of the attempt to bring previously peripheral classes and localities into an intimate spiritual contact with the idea-generating centre of the body politic,"* (44).

It is not the intention of leaders as such, but rather the ideological basis of functionality that determines what actually occurs. Ideas like these have at least a surface similarity to debates in 'strategy' about leadership versus management; especially visionary leadership and how this conditions organizational direction.

garbage-can decision-making (see incrementalism)
GDP (see GNP)

General Electric/McKinsey matrix (see strategic portfolio analysis)
This is a framework devised for GE by McKinsey for managing a portfolio of corporate businesses, which are grouped according to a market's attractiveness, and the factors that affect the competitive strength of a business.

general management

This is the general administration of an enterprise or a business unit. At the top of a company it includes function and responsibility of a general executive (including the CEO or managing director) and the problems that affect the character and success of the enterprise as a whole. It can be distinguished from strategic management in that general management might be described as the management of those cross-functional concerns that are essential concern operational effectiveness, and within this, the implementation of strategy as short-term activities. A general manager is typically in overall charge of a business unit, to whom all the functions (departments) must report. In this way a general manager has an influential impact on most of the major functional decisions, but it is the general manager's responsibility to make sure that specialist areas, departments and so on, act in the interests of the business as a whole.

In general terms (following Gross, 1968) general administration does the following:
1 *"Administration, or governance, is the complex process through which administrators try or guide the activities of people in an organization toward formulating or achieving some accepted pattern of purposes.*
2 *The purposes of an organization are multiple, are different degrees of emphasis by different members of the organization and are constantly changing in response to new situations.*
3 *The formulation and achievement of such purposes are blocked by conflicts, obstacles or changing circumstances within the organization or in the relations between the organization and its environment.*
4 *To achieve results, both organizations and their administrators try to cope with this blockage through the development, maintenance and use of power, or influence, with varying degrees of authority and responsibility.*
5 *In dealing with the members of an organization and with the external environment, administrators engage in or make use of the following:*
  a. *the broad processes of making decisions and communicating information,*
  b. *the fundamental administrative processes of planning, activating and evaluating, and*
  c. *various technical administrative processes relating to production, budgeting and accounting, personnel, distribution of output, general internal services or research." (Gross, 1968: 38)*

generic strategies (see competitive strategy)
These are general types of strategy for achieving a competitive advantage that is based either on cost or differentiation.

global-level strategy (see globalization, commoditisation, centralisation, China)
This concerns strategy that is relevant to global markets and an organization's strategic management of its operations across multi-national borders. The aim of expanding overseas must be supported by a strategy to achieve it.

Bartlett & Ghoshal (1989) (also, in Bartlett *et al.* 2008) classify strategy according to the pressure on an organization to cut costs, and also to adapt to local conditions. They identify four strategic approaches: global strategy, transnational strategy, international strategy, and multi-domestic strategy. High pressure to cut costs and low pressure to adaption to local conditions involves 'global strategy', with the same products and services in each market. Organization is centralised and strategy comes from the parent or centre. High pressures to cut costs and adapt to local conditions

involves 'transnational strategy' (or glocalization), which is a combination of global and multidomestic strategy. While central strategy is the primary driver of local activities, the periphery of the organization also generates significant input, which is shared by the whole organizational group. Low pressures to cut costs and adapt to local conditions involves 'international strategy', involving centralised services and innovation and the adaptation of products and services to local markets. Overseas' units are typically focused on sales and the management of the parent's exports to their areas. Low pressure to cut costs and high pressure to adapt to local conditions, involves 'multi-domestic strategy', which is the supply of different products and services to different markets. The organization's units are typically autonomous and self-sufficient, and aim to serve local needs and exploit local opportunities.

Markets in different countries are, however, typically different in some respects. For example, entering the American market has its own special challenges, such as the size of the market, its complexity and (usually) more competitors; so that simple the transfer of an existing strategy used in the UK is unlikely to work in America. In this situation, a large firm may acquire a local company that is already acclimatised to local conditions. However, M&A activity is risky and involves taking on the baggage of the acquired company. There are also issues of control: if the company is taken over because of its local knowledge and experience, then it can be difficult for the new parent to understand the local managers. The intervention of the parent in key issues at the local level could be misinterpreted as uninformed interference by local management.

Over the last 20 years there has been a tendency for western manufacturing organizations to relocate production units in the developing world. In many countries with developed economies there is a trend to relocate those parts of a global company's business that are commoditised; such as the relocation of assembly plants, which use standard and commoditised inputs, to cheaper countries. China and India are two large countries where labour is relatively cheap and the prevailing exchange rates are relatively low.

Commoditisation involves products and services that are relatively unsophisticated and easy to supply, and which can benefit from the contribution that economies of scale make to reducing price. Developing countries generally have a comparative advantage over more developed countries for these types of products and services where the costs of procuring primary resources (especially labour) are generally high. This has encouraged many observers to argue that advanced economies like the UK's should de-industrialise and specialise in those businesses that have a high service and design content. Although, of course, many product and service offers are a combination of product and service, and manufacturing can be a very sophisticated business.

Electrolux, the Swedish company and the world's second largest producer of domestic appliances, has presided over one of the biggest programmes of plant reorganization of any large company. It has closed 22 plants in high-cost nations over the last five years, while opening up 12 new ones in Asia and Eastern Europe. About 40% of its spending on components comes from low cost countries (it had been 15% in 2002, and 60% is projected in two years). In 2002, 85% of its production was in high cost areas and this has fallen to 40%. It had 75k employees in

2001 and now employs about 55k, with the bulk of the job cuts occurring mainly in high-cost countries, such as the US, Australia, Denmark, Germany and Spain. Operating profits have still to show the benefit, however, (Marsh, 2007).

It is not all just one way: for example, Tata Steel, an Indian owned company, purchased Corus, the Anglo-Dutch steelmaker in January, 2007. Tata is similar to other Indian companies that are retaining their low-cost bases in India, while also seeking access to the lucrative markets of the developed world by taking over western companies. *"The strategy has generally been to marry low-cost production in emerging economies such as India with the high-margin markets of the West. Tata Steel, for instance, has access to cheap supplies of government allocated iron ore, which it can ship to operations in south-east Asia and in time to Corus' markets in Europe,"* (Leahy, 2008).

The large car companies work to global-level strategy. In the 1980s and 1990s, GM and Ford sought to produce a world car, where the aim was to gain economies of scale by selling the same car everywhere, rather than developing vehicles separately for each region. GM's J-Car programme saw broadly the same car sold in Europe as the Vauxhall Cavalier and Opel Ascona, while in the US it sold as a Chevrolet Cavalier, Pontiac Sunbird, Buick Skyhawk and Cadillac Cimarron. There were several problems, a visual overlap, (the Cadillac failed due to its similarity to cheaper brands), and technical difficulties (compromises were needed to make cars appropriate to long straight US highways, and twisty European roads). *"They were trying too hard to get synergies and cost savings at the expense of producing appealing vehicles for the specific markets,"* (John Lindquist, Boston Consulting Group, cited in Mackintosh, 2005b). The cost savings often were not realised because of local regulatory standards and different manufacturing practices. *"Both GM and Ford abandoned the projects in favour of 'platforms' and 'architectures' that allow the expensive and time-consuming structural components to be shared, while cars can still be made to look and drive differently. GM has now gone a step further, putting its design and engineering under global management to prevent the regional engineers making expensive modifications – as happened with its last generation of mid-sized car,"* (Mackintosh, 2005b). GM hopes that if engineers think globally it will be possible to build shared cars at different plants when differences in capacity arise (it is important in manufacturing to be able to use capacity 100% of the time). *"The difficulty is to ensure that engineering remains common while designers are given sufficient flexibility to tailor models for local markets and for different brands. The company is also trying to make its upmarket Cadillac, off-road Hummer and cheap Chevrolet marquees into global brands, although both Cadillac and Chevy will sell vehicles specific to certain regions. Opel in Europe and Saturn in the US will share as many vehicles as possible, and have a common look,"* (Mackintosh, 2005b).

In the opinion of Jim Press president of Toyota Motor North America, *"Whenever you do a global product you just have to remember there are details that have to fit (each specific market),"* (Magee, 2007: 125). *"The one thing Toyota works to make the same, however, is the ideal - the standard used globally by the people working to fulfil the mission of the organization. Therefore, Toyota's Japanese heritage is taken out of the equation and the emphasis is placed on learning the Toyota system as a noncultural guiding light of business.*

"Adapting to individual communities can be challenging. In India, for instance, Toyota faces cultural differences that are nothing like what it encounters in the United States. Indians are often quite sensitive to criticism, resisting Toyota's culture of constant improvement through problem identification, and deadlines are often not viewed with high importance. Yet the automaker has worked hard to localize its business in India, becoming as much a corporate citizen of that country as it is of any. Specifically...invested [in]*...multiple joint ventures to help local suppliers become more globally competitive, and the company has worked to increase the local content of parts used in its Indian-built vehicles, becoming more of a true domestic operation.*

"Similarly, Toyota manufactures vehicles in France and is the only Japanese firm to manufacture vehicles in that country. The French and the Japanese have vast cultural differences, making the partnership an unlikely one. Japanese 'salarymen' are known to work long hours, but in France, a 35-hour work-week prevails for most professionals. Toyota did not let this obvious problem get n the way of its principle of building products where products are sold when ever feasible and possible. Instead of just building a plant and forcing the French to adapt, Toyota found a compromise. At the Valenciennes factory, where more than 200,000 vehicles are assembled each year, employees have adopted a hybrid language mixing French and English words to make Toyota's production system a cross-cultural success. And, to further integrate the company the company into France, Toyota built a design centre in the southern part of the country near Nice to develop cars suitable for the European market.

"Most telling, though, is Toyota's decision to adapt its human resource guidelines to fit the French workers. Instead of battling the country's 35-hour workweek tradition, often perceived as an obstacle for foreign business investment. Today the company employs 4,000 people in the Valenciennes plant and had a high profile product showroom, Le Rendez-Vous Toyota, on the Champs Elysees in Paris. Counting subsidiaries, Toyota employs almost 3000,000 world-wide; less than one-third of those, about 70,000, live in and work for the company in Japan. 'To sustain growth,' says Mitsuo Kinoshitsa [Toyota executive vice president, Toyota City, March]*, 'each region needs to be self-reliant.'…* (Magee, 2007: 169-170).

In 1997, Tesco sold its troubled French business, Catteau, to Promodes. Competition in France had proved too difficult, especially with two large French players, Carrefour and Promodes), and planning permission was complicated, and acquisitions were too expensive. In 2005, Tesco's international strategy became a top priority again. It now has a presence in central Europe and well-established businesses in Thailand and Korea. It has also set up in Taiwan, Malaysia, Japan and China. In the UK, Tesco sells almost 30% of the country's groceries sold in large supermarkets (although only 13% of all UK grocery sales) and growth opportunities are becoming limited. A diversification out of groceries is one option and internal expansion is the other, but *"there is a danger that the business becomes overcomplicated* [so] *that Tesco, which moves so quickly on its feet, turns into a more sluggish conglomerate,"* (Rigby & Tricks, 2005). Sir Terry Leahy, Tesco's CEO, asks *"If retail goes to a global industry, how are you going to be better off if you are operating in a 3% market?"* (Rigby & Tricks, 2005). Tesco is the fifth largest grocery retailer by sales in the world, but the top four (Wal-Mart, Carrefour, Ahold, Metro) all sell more in overseas markets. The Tesco international strategy looks for developing economies that appear poised for growth – parts of Eastern Europe before accession to the EU,

and now Turkey. It does years of fieldwork before entry into foreign markets, and will only seek countries with political and institutional stability. Indonesia, for example, would be unsuitable. Analysts believe Tesco is monitoring Vietnam, India, Greece and Romania. *"Tesco strives for a local feel to its international stores but, in a concept known internally as 'Tesco in a box', it also rolls out some of its successful UK practices, such as multi-format stores, supply chain management and own-label goods,"* (Rigby & Tricks, 2005).

Tesco is cautious about developed economies, although it nearly bought the Australian Woolworths in 2000. In the US, it has been reluctant to compete directly with Wal-Mart. However, in December 2007, it announced its American plans: *"Tesco is breaking with tradition by moving into the hard-discount market in an effort to build a US convenience chain that could hit 1,000 stores within the next five years. It has never tried this format in any of its 13 overseas ventures but is betting £250m a year – and its reputation – the Lidl-style stores will work. The British supermarket group said it will roll out Fresh & Easy quickly to make the low-cost margin business model work. However, Tesco have put together a blueprint for a far bigger chain. A second distribution centre in Stockton, California, will give it a distribution capacity for a further 500 stores, taking the potential network up to a further 1000 stores of 5,000 square feet. Tim Mason, chief executive of Tesco US, said the launch was a 'transformational' moment in Tesco's history. 'It is clearly saleable, but you can't push the pedal until you can convince the shareholders it will work, we have go to have the latitude to build a big business on the west coast before they hit the gas.' Adopting a new business model, Tesco has designed Fresh & Easy as a hard discounter. Costs are kept low by keeping product ranging and store formats identical. It hopes to attract US shoppers by undercutting rivals' prices, such as Trader Joe's and Vons, by 10-25%. Mr Mason said the retailer needed to hit sales per square foot of $15-25 a week – against Trader Joe's 435 – to hit targets. 'The brand is designed to be as fresh as Whole Foods, with value like Wal-Mart, the convenience of a Walgreens and product range of a Trader Joe's,' said Mr Mason. 'That leaves us with a specific edge in the market.' To lower costs, Tesco has developed a big own-label range and its own manufacturing facility to make ready meals. It has also cut costs by moving all its back office functions to Bangalore in India. The group has put self-service check-outs and shelf-ready packaging into stores to keep staffing costs low. However, Citigroup analysts wrote last week: Fresh & Easy's novelty could be a rare weak point. Its unique aspects – such as its lack of brands and 100% self service check-outs could deter more cautious consumers',"* (Rigby & Birchall, 2007). Tesco has for first time become a food manufacturer; its prepared meals, such as chicken curry, sushi rolls and Caesar salads, are an important part of the appeal of its Fresh & Easy neighbourhood stores. Tesco had concerns about the quality of prevailing US standards, and decided to make its own food; a move that is also likely to increase margins. Two UK firms, Wild Rocket Foods and 2Sisters Food Group, have set up adjacent food processing plants to keep the supply chain as short as possible.

Tesco's success in the UK, especially its growth in non-food, such as financial services and consumer electronics, sustains its investment aboard, which is an advantage its competitors do not have. To continue its non-food growth in the UK puts pressure on space: cafes are taken out, and supply-chain technology is being used to reduce back-of-store warehouses. It is also experimenting with dedicated non-food stores, called Tesco Homeplus (opened in Manchester and Aberdeen). New stores

and extensions are being built, and Tesco continues its move into convenience stores (it acquired the 862 T&S stores in 2002).

However, all this has raised doubts about its having too much competitive power in the UK. A loose coalition, called *Breaking the Armlock*, involving several pressure groups, is campaigning for the fair treatment of suppliers and other traders. A co-founder of this group is realistic: *"They* [Tesco] *are behaving entirely rationally... If they didn't use every ounce of energy to screw suppliers to the floor, they'd be doing a disservice to their shareholders,"* (Rigby & Tricks, 2005). Investors are worried: *"They fear Tesco will eventually be cut down to size whether by government regulation or a consumer backlash in the home market, from which it derives 80% of its sales...Another* [fear] *is that Tesco will wage an overly aggressive acquisition campaign overseas, where its sales record to date has been mixed and revenues have only recently begun to improve,"* (Lex, 2005).

Greenwald & Kahn (2005) argued that strategy rarely impacts upon global performance, because the advantages that underpin competitive advantage (although very worthwhile) are rare. They argued that competitive advantage is the creation of barriers to market entry, and these result from three factors: customer captivity (e.g. high switching costs), proprietary technology (protected by patent), and economies of scale. They argued that to exploit these a firm's competitive arena must be local, either in the literal geographic sense, or in the sense of being limited to one product or a handful of related ones. Thus a global firm is successful only if it can pursue local strategies. For example, Microsoft and Dell have a narrow product focus, and GE's decentralization allowed its SBUs to clearly formulate local strategic decisions. In this sense global strategy is a myth. In reply, Yip disagreed, claiming the examples used by Greenwald & Kahn are special cases that require local expertise or function in regulated sectors. Yip also argued that they use an overly narrow definition for strategy. Strategy *"can and should be defined as a planned sequence of moves to achieve an important objective. So companies need many strategies. Many companies are successful because they did not stick to a narrow product scope – Nokia, the world's leading maker of cellular phones,* [did not] *stick to its original business of making rubber boots!"* (Yip, 2005: 145).

Some observers of global-level strategy argued (e.g. Matthews, 2002) that new forms of firms have emerged that are small and depend almost wholly on a global market by networking and responding quickly to market changes. Others, notably in the technology sector, argued that globalization has meant an increase, not an international convergence, of tastes. This is because new communication media have opened up world markets and that increasing economies of scale make it possible as never before for specialised products. The opening up of consumer markets in large and developing countries, particularly China, has meant a growing interest not just in the premium consumer but also in the low-income one. Procter & Gamble has changed its strategy to shift more of its resources to low-income markets, such as a plan to produce a disposable nappy for no more than a fresh egg (10 cents). This includes new forms of consumer research where P&G staff spend time in consumers' homes and new forms of metaphor communication; the use of advanced technology to design low-income products; the external sourcing of ideas for new products; net indigenous supplier networks (Grant, 2005). At face value this looks like an advanced economy firm focusing on low value creating products, rather than using its

R&D and marketing to produce products to compete in more sophisticated economies; however, P&G intends to compete through its application of sophisticated technology and marketing in developing countries in ways that local firms would find difficult to copy.

The predominant national culture of a firm is a factor in how management sees its approach to the rest of the world. For example, Nissan's CEO wrote: *"One of the great challenges that Renault has faced in its globalization is the fact that a part of its management still sees itself as exclusively French. It goes without saying that French culture is very important in the culture of the company, and again we mustn't lose sight of that fact. But we can't stop there. It's interesting to learn that Toyota believes they're going to become more and more American. I take that very seriously. They're asking themselves some fundamental questions. For example, if a corporation is 'strictly Japanese', how much of a handicap does that represent? I believe they've put their finger on the problem. I'm convinced that if General Motors and Ford are having difficulties today, it's because they haven't become truly global corporations. They have remained American. They may realise most of their profits in the United States. They seen unable to make satisfactorily, stable profits elsewhere…tomorrow's winners, at least those in the automobile industry, will be those that are truly global, capable of according equal importance to all markets,"* (Ghosn & Reis, 2003: 166-167).

Globalization also influences and effects indigenous organizations; these may have to find strategy for dealing with competition from the multi-national. Niraj Dawar and Tony Frost (1999) suggested a strategic framework for local companies to assess their competitive strength in an emerging market. This is based on two parameters: the strength of globalization pressures in an industry, and the degree to which a company's assets are transferable internationally. They group organizations into dodgers, defenders, contenders, and extenders.

global financial crisis (see credit crunch)

global strategy (see global strategy)
One of the four strategy approaches for global-level business; it is the use by organizations of a standardised product and service range to exploit markets in different countries.

globalization (see global strategy, Internet)
Globalization is a phenomenon of changing commonalties and differences associated with a world-wide perception that the world is becoming smaller, similar, and more inter-connected. In other words it is the idea that human activity, in particular commercial activity, is converging over the world, partly because the world in media and communication terms is getting smaller and everywhere more alike. Technological developments such as satellite broadcasting, computers, email and the Internet, and parallel developments in liberalising trade and movements in international capital have facilitated this tendency. The concentration of investing activity through international banks and other financial institutions, and the accompanying insistence that firms grow and adopt global practices, have been important drivers, For example, in the pulp and paper industry, Lilja & Moen, concluded: *"During the 1990s leading firms have become Europe-wide or even*

global as a result of their production systems...The concentration process has transformed pulp and paper mills into multinational companies...Investment banks have had a major role. They have acted as architects, messengers and bankers between firms...As a result, leading firms have learnt to construct strategy projects that appeal to trans-national investors and financial analysts," (2003: 158).

The internationalisation of administrative innovation has also been important: government, religion, charity, sport – just about every human activity that requires organization and management has been influenced. The world may have embarked on a massive realignment of economic activity. Asia accounts for 13% of world GNP, while Western Europe accounts for 30%: but within the next 20 years the two will nearly converge. Some industries like manufacturing and IT services will shift regions. The US will continue to account for the largest share of economic growth.

A review of the global challenge for Europe appeared in the *Financial Times*: *"globalization describes the parallel emergence of three new forces. The first is the information and communications revolution. The second is the worldwide movement from planned economies to market economies and from self-reliance to integration within the global economy. The third closely connected to the other two, is the entry into the world economy of vast new sources of hard-working and highly motivated, but cheap, labour...The impact on the world economy of this triple transformation will surely rival the impact of the rise of the US, Germany, Russia and Japan in the last third of the 19th century...can identify* [for Europe] *at least six implications,"* (Wolf, 2005a). The following are important:

- The unbundling of the production chain across frontiers is accelerating in manufacturing and extending more deeply into services.
- Reliance on trade is rising almost everywhere.
- Foreign direct investment is soaring.
- Actual and potential competitors is rising (not just products, but know-how and capital)
- Prices of information-processing are collapsing, process of labour intensive manufacturers and tradable services (or, more narrowly, labour intensive processes) are falling, and prices of commodities (notably energy) are rising.
- Capital and some highly skilled labour are becoming more mobile and there is, in consequence, a greater pressure to secure globally competitive returns on capital.

It is likely - (a) the biggest opportunities will go to economies that are complementary to the rising Asian economies, rather than competitive with them. Exporters of skill and R&D intensive products will benefit more than those more reliant on labour intensive production. Germany and Sweden are bigger potential winners than Portugal. (b) The decline in demand for unskilled labour will show up in relative wages or as structurally high unemployment. (c) Taxation, regulation and public spending have to match more closely the desires of those people and corporations who can most readily emigrate. Adapting to these, requires flexibility of structures for production and the use of labour, a continued upgrading of the quality and appeal of exportable goods and services, sustaining investment in human capital and R&D, and improvements in the quality of public services, particularly education. These things should work to reverse the decline in western countries and improve productivity growth and make nominal labour costs (and so inflation) more

responsive to changes in capacity utilisation (which helps countries deal with economic shocks).

Levitt (1983) argued some years ago that the globalization of markets will encourage the development by firms of single standardised products that are sold in the same way throughout the world. This enables global corporations to benefit from enormous economies of scale in production, distribution, and marketing, especially where modern consumer lifestyles and tastes are converging. Many multinationals have corporate headquarters which control or align subsidiaries around the world. An example is IKEA, which does not tailor its stores to local markets: *"people buy the same things…we have the same range everywhere…beautiful functional items…at the lowest prices,"* (George, 2001). However, many observers believe that successful worldwide strategy needs differentiation. While Coca-Cola was a single brand company for nearly a century, it now advocates a 'think global, act local' approach with over 200 products; most of them are local brands (Tomkins, 2003a). Coca Cola is thus a practitioner of glocalization, a combination of globalization and localisation. This global strategy recognises that global markets are not made of a single homogenous market but many locally different ones, which are globally accessible but have different cultural conditions. This requires not a global mass-market approach as such but a more regionally customised one.

Even so, a multi-national may be too insensitive to local needs if it neglects to empower local strategic decision-making. According to its CEO, Douglas Daft, Coca-Cola had *"centralised its decision-making and standardised its practices. We were operating as a big slow, insulated, sometimes even insensitive global company and we were doing it in a new era when nimbleness, speed, transparency and local sensitivity had become absolutely essential to success,"* (Tomkins, 2003b). A multi-national has to balance the interests of the whole organization with the needs of local management and their need to take local strategic decisions.

Research from the Globe Research Programme at Stanford suggested there are seven hard and soft levers to resolve global-local trade-offs.
- Strategy: group strategy to guide local decisions
- Structure: to create formal positions and lines of authority
- Process: to define work flows & procedures to specify how to resolve issues
- Incentives: to reward & encourage outcomes in line with the desired balance
- Metrics: measurement systems to focus attention on desired outcomes
- Networks: to build personal relationships to help resolve disputes & encourage sharing of knowledge & resources
- Culture: to create shared values to encourage a common approach to decisions
- Process, metrics, and incentives, are all hard levers and the rest are soft, and according to this research, companies tend to favour either hard or soft: *"The only company to score highly across all seven tools identified by the research team was Enron, the now defunct energy trader…3M, for example, emerged as an archetypal soft company. Managers at the Minnesota-based conglomerate said that the company tended to rely more heavily on culture and networks than a metrics-for-everything approach. This could be a response to the famous 'culture of innovation' that has helped 3M win patents and develop products across a wide range of industries. Basic research is difficult to measure and incentivise. Similarly, Toyota's competitive advantage comes from its emphasis on*

engineering quality and the continual improvement of manufacturing processes. No surprise, then, that the company seems to favour rigorously applied processes and metrics in its group-wide management," (London, 2002b).

There is a growing anti-globalization political movement. *"Nike, Shell, Wal-Mart, Microsoft and McDonald's have become metaphors for a global economic system gone awry, (Klein, 2001)...*[There is] *the idea that global brands have departed from their original role as trademarks and become bigger, more powerful – and, somehow, more manipulative,"* (Tomkins, 2001a). Recently, many US-owned multi-nationals have aroused hostility as global criticism of the USA has grown (Tomkins, 2003a). The level of societal suspicion about big business looks set to increase as globalization gathers pace. The tenants of current global business ideology, such as shareholder value, free trade, intellectual property rights and profit repatriation, are not universally accepted in many parts of the world.

glocalization (see global-level strategy)
Glocalization is a combination of globalisation and localisation.

GNP (& GDP) (see productivity gap)
These are measures of the value of goods and services produced in an economy. Gross National Product (GNP) is the total produced by a country's factors of production owned by that country's nationals/firms, including products and services sold overseas. Gross Domestic Product (GDP) covers the value of all products and services sold within a country and does not take into account overseas' earnings. Thus while the value of American-owned Ford's cars made in the UK will count towards the USA's GNP, it also counts towards the UK's GDP.

goal congruence (see objectives, balance)
goals (organizational) (see objectives)

good-to-great companies (see leadership)
Good to Great is the title of a book (Collins, 2001) that has attracted a lot of attention. It is based on a study of eleven companies, all of which have gone through a transition from being good, to great performers. Very often the turning point is only seen in hindsight. The transition is like turning a heavy flywheel, where lots of continuous revolving builds up a faster momentum: *"Good to great comes about by a cumulative process – step by step, action by action, decision by decision, turn by turn of the flywheel – that adds up to sustained and spectacular results…*[often, the media does not start to notice a company until the flywheel is already turning at a thousand rotations per minute, which] *entirely skews our perception of how such transformations happen, making it seem as if they jumped right to breakthrough as some sort of an overnight metamorphosis. (165)…*[Great performance was defined for the study as] *a cumulative total stock return of at least three times the general market for the period from the point of transition through 15 years…good performance* [was] *a cumulative total stock return no better than 1.25 times the general stock market for the 15 years prior to the point of transition…must be a company shift, not an industry event,"* (219).

The eleven good-to-great companies were compared to similar good companies, but had not made a transition to great. *"Strategy per se did not separate the good-to-*

great companies from the comparison companies. Both sets had strategies, and there is no evidence that the good-to-great companies spent more time on strategic planning than the comparison companies.(123) …[The good-to-great] *built a consistent system with clear constraints, but they also gave people freedom and responsibility within the framework of that system. They hired self-disciplined people who didn't need to be managed, and then managed the system, not the people,"* (128).

There was distinctiveness about good-to-great companies in their processes for making decisions. They displayed two distinctive forms of disciplined thought. These were (1) to maintain faith in prevailing in the end, but at the same time to have the discipline to confront the most brutal facts of current reality; and (2) they used a simple, yet deeply insightful, frame of reference for all decisions based on understanding of three things. These were an understanding of what the company can be best in the world at; a determination of the primary economic factor that drives the economic engine (such as profit per customer); and what it is that the company is deeply passionate about. These things are not goals, but the basic strategic understandings on which the company operates. It is equally important to focus on what <u>not</u> to do and to <u>stop</u> doing it, as it is on what to do, and do it. The book stressed the importance of a culture of self-disciplined people who take disciplined action, which is fanatically consistent with the three understandings. "[It] *requires people…adhere to a consistent system; yet, on the other hand, it gives people freedom and responsibility within the framework of that system...*[a disciplined culture] *is not just about action. It is about getting disciplined people who engage in disciplined thought and who then take disciplined action,"* (146)

It requires leadership that is low key and shouldn't require efforts to raise motivation and commitment, if the right thinking people have been put in place. *"Clearly, the good-to-great companies did get incredible commitment and alignment – they artfully managed change – but they never really spend much time thinking about it. It was utterly transparent to them. We learned that under the right conditions, the problems of commitment, alignment, motivation, and change just melt away. They largely take care of themselves. (176)...CEOs who personally discipline through sheer force of personality usually fail to produce sustained results,"* (*ibid*.). [The process of transition is a] *"quiet, deliberate process of figuring out what needs to be done and simply doing it,"* (178) and revolutionary programmes aren't necessary.

Great companies sustain their position by preserving *"their core values* [essential and enduring tenets] *and purpose* [the fundamental reason for being, beyond just making money] *while their business strategies and operating practices endlessly adapt to a changing world. This is the magical combination of preserve the core and stimulate progress...A company need not have passion for its customers (Sony didn't), or respect for the individual (Disney didn't), or quality (Wal-Mart didn't), or social responsibility (Ford didn't) in order to become enduring and great...core values are essential for enduring greatness, but it doesn't seem to matter what those core values are. The point is not what core values you have, but that you have core values at all, that you know what they are, that you build them explicitly into the organization, and that you preserve them over time,"* (195).

Core values can include business methodologies and management philosophies. A 'system' can be a form of strategic management, a dynamic capability like strategic

planning and review, and/or hoshin kanri, for example. 'Discipline' is necessary to ensure consistency, especially in relation to core values, but is it enough to say it requires a certain form of leadership, and a disciplined culture? To what extent is an appropriate culture patterned, and how does it emerge throughout an organization, and how is it (strategically) manageable? See HP Way, a statement of core values used at Hewlett-Packard, which included its business methodologies and management philosophies; a new CEO tried to change HP's core values, but in the end she lost her job when results started to disappoint expectations.

governance (see corporate governance)
Governance is a non-executive function that ultimately decides purpose, critically appraises and approves a senior management's strategic management, its progress and results.

grounded theory (see theory)

groupthink (see consensus)
A phenomenon that occurs when a team or group avoids disagreement amongst itself and seeks consensus that is tendentious, biased or superficial, which acts to exclude any real discussion of alternatives. The first use of the term seems to have been by William H. Whyte (1952) when he explained it as a rationalized conformity, not an instinctive conformity, but one that consciously holds that a group's values are not only expedient but right and good as well.

Groupthink may also be a result of an overly dominating leadership and a culture of fear, where employees (and even dissenters at board level) may fear reprisals or reputations for negative and obstructive thinking. This is likely to discourage critical thinking, inhibit learning, and leads to closed-mindedness and pressure toward uniformity. Janis (1989) had researched cases of US policy-making groups, when he found that senior management was prone to defective strategic decisions, especially in crisis situations, unless precautions are made to avoid groupthink. Group thinking is good for routine decisions and is quick, but is detrimental *"when it pervades the group's deliberations on a consequential policy change," (62).* Groupthink may be a weakness of institutional consensus and Japanese nemawashi.

growth-share matrix (see strategic portfolio analysis)
This is the Boston Consulting Group's framework for managing a portfolio of corporate businesses, which are grouped according to their share of a market, and the growth of that market.

growth strategies (see strategic portfolio analysis, diversification)
In industries with large organizations, growth is important if the organization concerned is to sustain its competitive advantage. This is particularly so for those which are developing as global industries. For example, Renault towards the end of the '90s *"faced limited growth opportunities because European sales accounted for 85% of the company's total volume. More than a third of those sales occurred domestically, in France. This fact, combined with the merger of the European and American automakers Daimler-Benz and Chrysler, which resulted in global giant DiamlerChrysler, led Renault executives to talk openly about expansion through acquisition,"* Magee (2003: 35).

Chandler (1962) suggested growth can be achieved through a number of strategies: to expand volume (sales within a given market), geographical dispersion (entry in distinct markets with existing products/services), vertical integration (absorb suppliers, distributors), and product diversification (develop new products/services). This is similar to the product-market expansion grid (Ansoff, 1957), see figure. Four growth strategies are shown: (1) market penetration is based on current products/markets, like an expansion in sales volume, geographical extensions, market-share improvements; (2) market development is based on the introduction of current products into new markets; (3) product development is based the introduction of new products into existing markets; and (4) diversification is based on the introduction of new produces into new markets: these may be related or unrelated, which is the most risky, as it typically requires new knowledge and competences (see diversification).

Lorange (1980) noted that the definition of product and market is a key part in the evaluation of a company's situation or *"strategic position"*. He defined 'the product/market element *"as the smallest organization unit that performs an identifiable general management business task: i.e. the creation of a specific and distinct product or service that serves a well-defined market, distinguishable from and relative independent of other product/market combinations,"* (77). Ansoff first clarified this, because it is important to the expansion grid. Lorange noted some implications of this definition:

- An entity must be able to define an operational mission; that a well-defined market and its competitors can be identified, and that it is possible to clearly perceive what the value of the unit's products and services are.
- The definition must make it possible for the management to conceive and focus on a set of truly unique potentials and risks that characterise the business. The opportunities and threats should have a high level of visibility and ought to be clearly identified. *"Thus, the definition task is a creative one, calling for an imaginative definition of a product/market element along dimensions which are likely to be critical for the development of a successful competitive strategy,"* (*ibid.*).
- The common thread of products and services that run through the product/market element must be clearly identified.
- The above things are more an art than a science, thus management should not be subject to overly stringent and inflexible criteria.
- A realistic definition of what 'market' means is important if analytical tools such as the product life cycle, portfolio analysis, and concepts such as market share, are to mean anything.

The product development strategy has been much favoured. The success of Wells Fargo owes much, according to its CEO, Dick Kovacevich, to a *"simple strategy...to sell as many financial products to...customers as possible. Wells Fargo offers everything from current accounts and mortgages to insurance and mutual funds. The average retail customer has 15 of these, of which 4.7 are supplied by Wells Fargo...the average large US bank supplies only three products...Selling an existing customer a new product – usually displacing a competitor – is much more profitable than chasing new customers. The cost of selling a product to an existing customer is 10% of the cost of selling it to one customer. You take some of that huge margin for*

your picket and give some of it to the customers to encourage them to consolidate their business with you...it is [also] *more predictable*," (Wighton & Wells, 2005). A name for this strategy is 'one-stop shopping', and in the specific context of financial retailing, the model has been called 'the financial supermarket' – where as many of the customers financial needs are met under one roof from a single supplier.

Porter (1996) appears to favour a deepening (market development strategy) for growth rather than a broad (diversification) approach, since this is less likely to take a firm away from its existing generic strategy. So, for example, growing companies often find that they must broaden or even move away from their core business, and this can threaten their original business model and dilute its competitive difference. See this Anders Dhalvig (2003), CEO of IKEA, quote – where 'balance' could translate as straddle (two different strategies): *"The more stores we build and the more we increased our market share, the more we have to find ways to appeal to a broader public. Scandinavian design and style is a niche and it is not to everyone's taste. But we don't want to be just another supplier of traditional furniture. Scandinavian design is what makes us unique. We have to find a balance,"* (2003).

Dell Computers has grown very fast but there are signs that this rate of expansion has been slowing. The cost and price advantages of its direct sales business model over the Internet and telephone, with its built-to-order system that squeezed inventory out of the supply chain, have slipped away as competitors source parts in low cost areas of the world. Dell has also taken a large part of the commercial market and high rates of growth comparable to the past seem here to be unlikely (Waters *et al*. 2005).

Growth is also difficult to maintain over a long period, especially when economies go into recession, and most large organizations experience a stall point when long-term growth rates drop by several percentage points. A stutter in profits often leads to a strong fall in share price of growth companies. When this happens, it is often a time for corporate renewal or reinvention. This may involve an acquisition programme, new partnerships, redefining markets, or a re-engineering of brands, and activities (*Economist*, 1999b). While there can be real costs in not growing, especially if this lets rivals strengthen their competitive position, growing too fast can give problems if a company over-stretches its resources, borrows too much against assets, and then finds it must retrench its activities when economic conditions suddenly change.

Investors typically demand growth. But how big can companies get before they become bad? Success fuels growth but growth brings complexity and this can divert attention from detail such as attending to customers. The world's 150 largest companies accounted for about half of the profits of the top 2000 companies worldwide in 2003, up from 38% in 1994 (cited in London, 2005). But many of these 150 are struggling to deliver consistent profits. Not all large companies are necessarily complex. Some large companies are very dependent upon a single product, such as the Windows operating system for PCs in the case of Microsoft (it only employs 60k - Wal-Mart employs 1.3m - but it has an annual turnover of $44bn and a market value of $275bn). Only four companies, GE, IBM, Toyota and Citigroup, employ more than 200k, while consistently delivering profits per employee of $25,000 or more. These companies work to keep things simple. This requires sloughing off businesses that no longer fit with strategic priorities. Thus IBM has

sold its disk drive and PC businesses, despite the fact that it helped pioneer both technologies.

"Such active portfolio management requires strategic discipline and a dispassionate approach. The drive for simplicity also means enforcing standard ways of working – from the computer systems that are used to the way performance appraisals are carried out – across all business units. Toyota's famous production system, applied in all its assembly plants worldwide, is a prime example. This is much more than a methodology for reducing waste and product defects. It provides a common language for an increasingly global company," (London, 2005).

These companies are well managed, but even so, Toyota for example, wonders if it can maintain its reputation for reliability, which underpins its success. Private companies may have more independence and leeway to stay small and good (even beautiful). Small companies do compete effectively with large ones (Burlingham, 2006). Much depends upon the priorities and values of the investors. A UK example is Blackpool Pleasure Beach, one of a few large family-owned businesses that survive in a global industry now driven by US theme park giants, such as Disney and GE's Universal Studios (see Hall, 2005, for an account of its strategy and plans).

Edith Penrose in her book, *Theory of the Growth of the Firm*, raises the question of size and administrative coordination. *"The question has often been raised and is still debated, whether a firm can get 'too big'...At one time it was almost universally agreed that such a point would be reached as a firm grew in size, that management or 'coordination' was a 'fixed factor' which would necessarily give rise to diminishing returns and increasing cost of operation at some point. Behind this notion lay the common-sense deduction that consistency of behaviour requires 'single-minded' direction which is clearly limited in its possible scope simply because the capability of any human being is finite. The conclusion that the limited capacity of the individual will limit the size of the firm has not, however, been supported by events – at least not in clearly a discernible way. Now it seems likely that this 'single-mindedness' can be achieved through an appropriate form of organization inherited from the past and operated by people, also inherited from the past, who share a common tradition, who are accustomed to the organization and to each other, and who thus form an entity which works with sufficient consistency and efficiency in broad areas to make necessary any one individual having to comprehend and direct its detailed working. It is this capacity of the firm to alter its administrative structure in such a way that non-routine managerial decisions requiring real judgement can be made by large numbers of different people within the firm without destroying the firm's essential unity, that makes it so difficult to say with confidence that there is a point where a firm us too big or too complex to be efficiently managed,"* (1959: 18). She argued that large organizations become very different to smaller ones, and these must be understood differently: *"we cannot define a caterpillar and then use the same definition for a butterfl*y," (19).

Some companies are very large indeed, not just in terms of the number of employees, but also in terms of assets and revenue. For example, the UK-based bank, Barclays, which has around 150k employees, has a balance sheet which is grater than the UK economy. While size is undoubtedly a prime source of competitive and market

power, there is the question about how an executive can keep control of such a complex organization (see control)?

The growth phase model of I. E. Greiner (1972) suggested firms go through five stages of growth – see figure. Each stage ends in a crisis that determines the next stage. These are (1) creativity (start-up, entrepreneurial, informal, ending in a leadership crisis); (2) direction (sustained growth, functional structure, standardised processes, ending in an autonomy crisis); (3) delegation (decentralised operational and market level responsibility, decisions based on period reviews, top management by exception, formal communications, ending in a control crisis); (4) coordination and monitoring (product groups, formal planning, centralisation of support functions, ending in a red tape crisis); (5) collaboration (team action through problem solving, cross-functional task teams, simplified control, ending in an internal growth crisis). Greiner added a sixth phase later – extra-organizational solutions (mergers, holdings, networks).

guanxi (see organizational cultures)
In Chinese, guan means a door or to close up, while xi can be translated to mean a joined-up chain (Al, 2006), and it refers to inter-personal relationships or connections through which the persons involved may achieve their goals. *"In a sense, guanxi has now become a term describing a certain kind of favour-seeking pragmatic social practice…although the guanxi practice is rooted in traditional Chinese culture and history, it became all-pervasive only after China had embarked on its economic reform programme in the late 1970s. It is debatable whether guanxi practice is unique in China, but suffice to say that the Chinese have developed it in such a vigorous and distinctive way that they have raised it to an art form,"* (Tian, 2007: 51). While it can be used practically to sort out problems, its practice can also seem to be unethical and partial. Blat in Russia, and wasta in Arab countries, are similar phenomena (Michailova & Worm, 20003; Hutchins & Weir, 2006).

gurus (see consultants, PDCA, halo effect)
Management gurus are popular management consultants/academics/writers who are usually associated with a management fashion or fad. Typically, gurus have a prescriptive (how things should be done) model for practice and principles for good management. The most well-known management guru is probably Tom Peters (see excellence). For accounts about gurus and their ideas see Micklethwait & Wooldridge (1997), Kennedy (1991), Clutterbuck & Crainer (1990). Management ideas go through cycles of popularity, when senior managers first become enthusiastic, but then fail to stick with them over time. When this happens employees generally may become cynical and resist other new ideas later. Kaplan & Norton (1996b: 203) point out organizations had *"deliberately chosen not to communicate the balanced scorecard, as such, to their employees…*[feeling] *that their employees have been bombarded, during the past 5 to 10 years, with all manner of vision and change programmes, and that their employees* [had] *become cynical and inured to high-level pronouncements about the latest management fad that is sure to imminently transform the organization to breakthrough performance"*.

The term 'guru' came into prominence during the 1980s when Deming (1986), Juran (1951, 1964. 1988), and Crosby (1979), were becoming known as 'quality gurus'. These are a distinct group of practitioners/consultants associated with the success of

TQM. Juran and Deming were American engineers and experts in quality control who went to Japan to help its post-war reconstruction during the 1950s (others were also involved, the first was Homer Sarsohn, who wrote the Toyota's training manual at about this time). However, it was not until the Japanese success in the 1980s that they became well known in the USA.

W. Edwards Deming was the most important; he popularised Shewhart's PDCA cycle, and the Japanese quality excellence prize was named after him. He believed that improved quality ultimately leads to lower costs, providing more profits and creating more jobs. *"Deming influenced Toyota's management style as a consultant and also as pone whose work was closely studied by Eiji Toyoda. Most of Deming's contributions occurred in the 1950s when he travelled to Japan to assist in post-war economic recovery. Because the Japanese business community easily warmed to Deming's business theories, he was influential throughout the country, but he had the most impact at Toyota…'There is not a day I don't think about what Dr Deming meant to us,' said Shoichiro Toyoda, son of Kiichiro Toyoda and a Toyota director and honorary chairman. 'Deming is the core of our management'."* (Magee, 2007: 42-43). Deming believed that companies should value social contributions over shareholder interest, and this appealed to Toyota and members of the Toyoda family.

Philip Crosby became influential in western countries with his book, *Quality is Free* (1979), and this book did much to make total quality accessible to the non-specialist. He had been a senior manager at ITT and argued that the importance of quality lay in the costs it saved. It is fashionable today to criticise Crosby as superficial (e.g. Foley *et al.* 2005), but his influence on western quality management was immense (Witcher, 1994). Many companies took his ideas without understanding the need to implement TQM holistically, and so many TQMs produced mixed results. *"The classic fad-surfers approach was then to blame Crosby and jump on to the next train pulling into the station. It is also probably fair to say that Crosby milked the situation for all it was worth, doing training through associates who themselves were not that expert,"* (Improvement Encyclopaedia, 2006).

(the) halo effect (see Icarus paradox)
The halo effect is a psychological term that refers to a cognitive bias that occurs when people make specific judgments that are based on a general impression. Phil Rosenzweig (2007) applied the idea to organizations, when observers tend to rate everything about a successful organization, such as its strategy, leadership, corporate culture, etc., as good (and vice versa), when really performance is relative and changing depending upon how organizations are competing with each other: – *"There are not, therefore, formulas that can reliably and predictably lead to high performance. Our task as managers is to make judgments, under conditions of uncertainty, that stand the best chance of improving our likelihood of success in a competitive market setting…Some well-known best sellers, such as 'In Search of Excellence'* [Peters & Waterman, 1982] *and 'Blue Ocean Strategy'* [Kim & Mauborgne, 2005]*, have problems of research design – they only examined successful companies, and therefore cannot say what makes successful companies different from less successful ones. The problem with 'Built to Last' and 'Good to Great'* [Collins & Porras, 1994; Collins, 2001] *is different: the design, which used matched pairs, isn't bad, but much of the data they relied on are not independent of performance, which is*

the very thing they are trying to explain. The problem here is not one of design, but of the validity of data," (Miller, 2007).

For example, Kmart improved during the 1990s on many objective dimensions (e.g. inventory management, procurement, logistics, automated reordering, etc.) - *"Why then did profits and market share continue to decline? Because on those very same measures, Wal-Mart and Target improved even more rapidly. Kmart's failure was a relative failure, not an absolute one. Since performance is relative, not absolute, it follows that companies succeed when they do things differently from rivals, which means making choices under conditions of uncertain, which in turn involves taking risks – and which may end in failure. The Halo Effect shifts our thinking about performance from one that looks for a formula for success, toward one that sees the world in terms of probabilities. Strategic leadership is about making choices, under uncertainty, that have the best chance to raise the possibility of success, while never imagining that success can be predictably achieved. Even good decisions may lead to unfavorable outcomes, but that doesn't means the decision was wrong,"* (Miller, 2007).

Not many saw the 2008 financial crisis. Those that first detected and accepted that something was wrong had a distinct advantage in implementing strategy to weather the storm. *"Always question the halo effect of a business or business situation is blinding you to what lies on the horizon,"* Herbert Henkel, chairman and CEO of Ingersoll Rand (Carey *et al.* 2009: 2).

heuristic (see methodology)
A term from cybernics: a heuristic approach to solving problems involves searching out an unknown goal by incremental exploration, according to some guiding principle which reduces the amount of searching required. In social science, 'guiding principles' may include conceptual devices such as ideal types or working hypotheses, which are intended not to explain or describe the facts, but to suggest possible explanations or to eliminate others.

hierarchy (see structure, for hierarchy of strategy see strategy)
high velocity markets (see exploitative & explorative learning, hypercompetition)
holding companies (see structure)

Honda effect (see emergent view, incrementalism)
The Honda Effect is the capacity of a firm to strategically learn from experience (and the accidents of strategy) rather than stick too rigorously to predetermined objectives and planning. It was the title of an article by Pascale (1984), who contrasted the story of Honda's success with motorcycles during the early 1960s in the American market, with an account of how Japanese imports wiped out the British motorcycle industry in the late 1960s and early 1970s. In the latter case, the Boston Consulting Group (1975) had produced a report for the British government that explained Honda's success as a market development process based on economies of scale. However, for the American case, Pascale had interviewed the Japanese managers who had been involved, and found a story of setbacks and emerging opportunities: the intended strategy had been to sell large motorbikes, but when these machines proved unreliable, Japanese managers switched their focus to a small bike, the 50cc Supercub; the Japanese sensed an unanticipated demand and a new strategy emerged. Commenting generally on mistakes made by Japanese companies, Pascale asserted

that in the end *"success was achieved by senior managers humble enough not to take their initial strategic positions too seriously. What saved Japan's near failures was the cumulative impact of 'little brains' in the form of salesmen and dealers and production workers, all contributing incrementally to the quality and market position these companies enjoy today. Middle and upper management saw their primary task as guiding and orchestrating this impact from below rather than steering the organization from above along a predetermined strategic course. The Japanese don't use the term 'strategy' to describe a crisp business definition or competitive master plan. They think more in terms of 'strategic accommodation' or 'adaptive persistence', underscoring their belief that corporate direction evolves from an incremental adjustment to unfolding events,"* (Pascale, 1984). His original 1984 article was very influential and was re-published in Mintzberg *et al.* (1996) (this is a collection of commentaries): Pascale defines the Honda Effect - *"How an organization deals with miscalculation, mistakes, and serendipitous events outside its field of vision is often crucial to success over time... The juxtaposed perspectives reveal what I call the Honda Effect,"* (Pascale, 1996: 89).

However, it is likely that Honda's commercial success in the American market would have happened anyway given the sustained competitive success of the Japanese in general (for example, Harley Davidson was eventually driven to adopt TQM to respond to Japanese competition). Rumelt (1995) observes the cost data supplied by the BCG indicates UK motorcycle factories produced on average only 14 cycles per worker per year, whereas Honda produced the equivalent of about 200 cycles per worker per year. He wrote: *"My own view is that the 'process/emergent' school is right about good process being non-linear. A great deal of business success depends upon generating this new knowledge and on having the capabilities to react quickly and intelligently to this new knowledge. Thus, peripheral vision and swift adaptation are critical. At the same time, I believe that the 'design' school is right about the reality of forces like scale economies, accumulated experience, and the cumulative development of core competences over time. These are strong forces and are not simply countered. But my own experience is that coherent strategy based upon analyses and understandings of these forces is much more often imputed than actually observed. Finally, I believe that strategic thinking is a necessary but greatly overrated element of business success. If you know how to design great motorcycle engines, I can teach you all you need to know about strategy in a few days. If you have a PhD in strategy, years of labour are unlikely to grant an ability to design great new motorcycle engines,"* (9-10). I don't think this is so: 'strategy' is difficult: it is probably harder to be a good strategist than it is to be a good engineer.

Rumelt's view seems consistent with Hamel & Prahalad (1989), who see Honda's success as the pursuance of a long-term vision of global leadership in internal combustion engines, constantly building competences in design and manufacturing, and competing through innovating around competitors' product offerings. Mair (1999), however, thought that there was no evidence to suggest Honda really had used its core competences to achieve its success across its companies. Mair reviews the literature that used Honda as an example of strategic success: this includes the analytical work of the Boston Consulting Group, Pascale, Quinn (1998), Hamel & Prahalad (1994), and Stalk *et al.* (1992). Mair concluded that these studies are partial representations of something that is more complex: in his view this literature gives tendentious and dualist accounts (learning versus design, emergence versus strategic

planning, industry analysis versus the resource-based view), which are misleading representations of what actually happened. He argued that many of the presented 'facts' are wrong, and that other evidence was ignored. The success in the US was based on success in Japan and the history of the firm since has been an up-and-down, and conventional top-down (mass market and economies of scale related) strategy, as well as the Honda Production System (see lean production) have been significant.

horizontal integration, vertical integration (see growth strategy)
Horizontal integration is the growth of an organization by expanding its operations to offer complementary products and services, or to acquire a competitor with similar products and services. Vertical integration is the growth of an organization by expanding its operations along the distribution chain towards the ultimate customer, and/or along the supply chain towards the primary sources of supply.

These refer to the directions of an organization's growth up and down (vertically) its industry's supply chain, or sideways across an industry (horizontal). Backward vertical integration is when an organization supplies its own inputs or raw materials, perhaps by the acquisition of its raw material suppliers. Forward vertical integration is when an organization performs its own distribution and transport or when it takes over its distributors. Horizontal integration is when an organization moves to acquire, or forms some close association, with a competitor in its industry.

hoshin kanri (see catchball, hoshin planning, cross-functional management)
A hoshin is a statement of a breakthrough strategic objective and its means. Hoshin kanri is policy management and an organization-wide methodology for the deployment and management of a limited number of senior-level hoshins (strategic objectives and means).

Hoshin kanri can be understood as an annual PDCA strategy execution process that senior managers use to achieve FAIR. It involves hoshins, catchball planning, PDCA-TQM, and TEAs. The principle is that if everyone makes a contribution to a hoshin, then the whole organization will have achieved a significant breakthrough that it would through normal working.

Hoshin kanri is used in Japan by most large firms operating in international markets. Some western-owned firms use their own versions, for example, 'hoshin planning' (Bank of America), 'policy deployment' (Proctor & Gamble), 'management by policy' (Donnelly), 'managing for results' (Xerox Corporation), 'strategy or goal deployment' (Caradoc) and 'strategy into action' (Unilever). The details of these approaches vary, but in general they follow common business philosophies and methodologies. The first recorded use of the name was in 1965 when the Bridgestone Tyre Company (now Firestone-Bridgestone) published an internal manual based on strategic management used by winners of the Japanese Deming Prize. King (1989), reporting on a visit by American visitors to Japan, found hoshin kanri to be the only management system common to all the visited firms. It was developed as a corporate-level cross-functional management system to ensure that functional activity worked in accord with overall strategy (Nomi, 1991).

A 'hoshin' is a statement of a top level policy, which includes an objective and a brief statement of means: the objective is the expected result, and the means are given as

the guidelines to achieve the result. The hoshin is worked on by other levels of the organization to clarify the specific steps, including the agreement of action plans and timetables (Akao, 1991b). The term 'kanri' denotes management or control. The Chinese-derived kanji characters for 'ho' mean method or form, while 'shin' suggests a glint of light reflected from a compass needle, so that together they signify a methodology for direction and alignment. The underlying principle of hoshin kanri is that everyone should be involved in furthering the overall objectives; if everybody makes some contribution then the firm and organization as a whole will have moved significantly further forward that otherwise would be impossible through normal working.

UEA research (Witcher, 2003; Witcher & Butterworth, 1999, 2000, 2001) found the hoshin kanri model is comprised of the following:

1   *Hoshin kanri is the part of strategic management that is concerned with the annual execution of cross-functional strategic and improvement objectives.*
2   *Top and senior level management take responsibility for and is activity involved in the process.*
3   *The senior level determines the cross-functional management of core business processes, and sets medium-term (3 year) QCDE objectives.*
4   *There are four distinct phases: Focus, Alignment, Integration, Review (the annual Focus (on short-term strategic and organizational effectiveness priorities):*
  - *A hoshin is made up of a policy statement, objective and its means (or strategies).*
  - *Senior managers determine hoshins with cross-functional, incremental (improvement) objectives.*
  - *Incremental objectives are set in the common language of a balanced set of QCDE targets.*
  - *Only a vital (very) few hoshins are set; designed to encourage innovatory change and explorative learning, where the emphasis is on means.*
  - *Incremental targets are more numerous; designed to drive improvement and exploitative learning (kaizen), where the emphasis is on the control of the core areas of the business.*

Align (other objectives, plans, management systems, with priorities)
  - *An iterative business & organization-wide planning activity, using catchball to develop proposals and agree plans.*
  - *Sub-objectives and targets always considered with their means, and must be agreed by affected parties (this is management of, not by objectives).*
  - *Hoshins have overall priority, so it is catchball that determines overall alignment in annual business planning, including systems such as budgets, appraisal systems etc.*

Integrate (priority-related activity in daily management)
  - *TQC based on the PDCA (Deming) cycle is used for business process management*
  - *Project and kaizen teams are used to resolve difficult hoshins.*
  - *Processes are PDCA-managed using KPIs derived from hoshin plans, improvement targets, and internal customer specifications.*
  - *Daily management based periodic review of hoshin and improvement progress by senior management (sometimes called strategic reviews)*

Review (by top management of managerial competences and core business capabilities)

- *Top executive audits (TEAs) used to provide a check on the business methodologies and philosophies used organization-wide to manage the operational effectiveness of the core business processes.*
- *Provides a check on hoshin kanri and informs the next cycle of FAIR.*
- *Important to organizational learning (for senior management as well), and must be conducted in ways to promote motivation and leadership.*
- *Top level management oversees and manages review to ensure the FAIR cycle is effective as a dynamic capability for strategic management and control.*

The FAIR phases can be conceptualised as strategic management execution by PDCA cycle principles. PDCA is a total quality control (TQC) principle for managing a process: it starts with a 'plan' followed by 'do', 'check', and 'action' if the work is not going to plan. Focus is the senior level's need to take action on its priorities for the year; alignment involves the creation of plans to carry out the priorities; integration is doing the work to achieve to achieve the plans in daily management; review is the senior level's check on daily management and its effectiveness in progressing the priorities. PDCA-based TQC involves continuous monitoring and review in daily management and this includes periodic strategic as well as operational reviews. But this is quite distinct from the review phase of FAIR, which is centred on the involvement of top managers in an annual business-wide audit of operational effectiveness (including hoshin kanri). In Japan the involvement of senior executives in this activity is called a top executive audit (TEA) and board members and executives act as auditors, so that some firms call their TEA a presidential audit or diagnostic.

Typically, hoshin kanri activity starts with an annual review of the current status of a medium-term plan (sometimes used as a themed challenge or programme). This takes into account feedback from the review phase of FAIR and the health of the core business processes in delivering value (especially in relation to current customer and competitor concerns). These things are considered against the assumptions of longer-term strategic management, including purpose statements, overall objectives and wider strategy.

The content of hoshins varies considerably for different firms. Some relate specifically to a pressing issue such as to deal with new competition, or to meet a financial crisis and cut costs. More usually, hoshins are used to further the medium-term plan, say, to develop longer-term organization-wide competences. They are designed to encourage innovatory and creative thinking that is likely to cause people to re-think how they presently work and how processes are managed. Improvement objectives on the other hand, are set incrementally to ensure that people keep their eye on the core processes (although small changes in targets often lead to substantial process change). Japanese firms refer to these as control items because they are formulated by the senior management team to maintain progress in daily management of the strategic objectives in the medium-term plan (Koura, 1991). These objectives drive Japanese continuous improvement, which was never fully appreciated in the West when TQM transferred to western firms (Lillrank, 1995; Cole, 1998). The important thing is that the firm and organization as a whole keep control of the core processes that determine the operational effectiveness of the organization in achieving

its purpose. For a senior level this means that it knows where the organization is at any one time in achieving its strategic and improvement objectives.

The objective set, QCDE, stands for 'quality', where it covers customer related targets; 'cost' which covers efficiency and financial targets; 'delivery' which includes targets covering internal processes and logistics, innovation; and 'education' which includes the development of human resources, morale and safety. This QCDE grouping scheme for objectives began in Japan during the early years of hoshin kanri, when cross-functional management committees were established at Toyota and Komatsu. The idea was for a corporate senior level committee to facilitate and review the progress of each of the QCDE categories through the hoshin kanri annual cycle (Koura, 1993). Today, the QCDE scheme is universal in Japanese and many western hoshin kanri companies. Its form is very similar to the four perspectives of the balanced scorecard, which is not surprising since the scorecard idea was developed from hoshin planning at Analog Devices (Kaplan & Norton, 1993).

Keeping the number of hoshins to a bare minimum (about four) is important if sub-objectives and means are not to mushroom out of control. Hoshin activity should not be crowded out by expediency, nor should it disadvantage routine operations. The working rule is that people should plan their contributions in ways that allow them to make a significant difference given the resources they have and the jobs they already have to do. Japanese TQC stresses the Pareto principle to concentrate effort on those few things that can be achieved to the most effect. Catchball, the throwing to and from of ideas and draft plans between affected parties, ends with agreements and normally takes about a month or less to complete. A TQC conditioned environment brings with it organization-wide familiarity with participative team working, skills at problem solving, and transparency in objective management. Some contributions take time to explore and determine, however, so for these project teams are run to clarify the issues before the appropriate targets and means can be finally agreed. These may run for extended periods and are sometimes subsumed as routine kaizen routines. Also not all the contributions are deployed in equal terms: some remain at a senior level, while others may warrant more attention by specialists. However: *"Normally, everyone - from managers to group leaders - establishes their own targets and means, which are based on their own responsibilities and achieved through joint effort with their staff and subordinates,"* Akao (1991b: 13-14).

The figure below gives an example of an annual hoshin at a Japanese car supplier in northeast England. This company had a medium term plan called a challenge and one of the objectives was to achieve a full lean working environment. The company's main customer, Nissan, notified this supplier that it was to produce a new car. This required the supplier to re-engineer its processes to accommodate the change, and the company decided to use hoshins to help achieve quickly the changes to current working that would be needed. The plant was already working at full capacity, so to accommodate the new model one of the hoshins would have to address the question of how to reconfigure space and capacity. The figure shows the hoshin statement and its objective (to minimise floor space) and means (to revise plant layout, and to reduce inventory). The senior team passed this hoshin to its other management teams, which used catchball to develop related QCDE targets, action plans and development projects to implement the work.
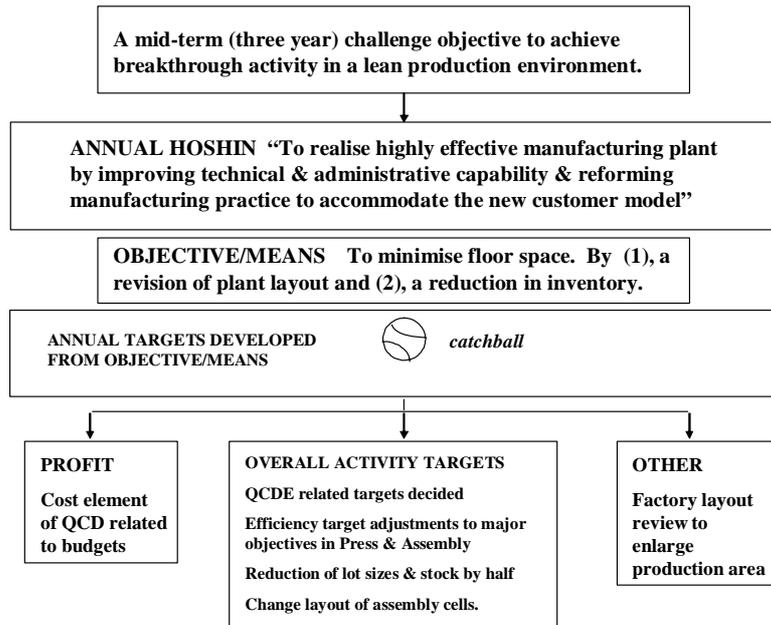
The top-down development of means to achieve the objectives, even as a participative and enabling catchball activity, makes hoshin kanri seem a conventional approach for implementing and executing strategic planning. One major difference, however, is that western firms tend to go an inch deep and a mile wide in creating strategic direction in an organization. The typical annual ritual of cascading objectives in many companies often leads to hundreds of targets by the time they reach lower levels of management. Hoshin kanri goes an inch wide and a mile deep. The emphasis is on team-working and the management of means to achieve objectives; this is management of objectives (MoO) rather than management by objectives (MbO). However, without effective TEAs and the check they provide on managerial core competences MoO can easily slip into MbO mode. There is also evidence that senior managers may be tempted to overload the number of hoshins, which is likely to cause hoshin kanri to stall (Witcher & Butterworth, 1999).

Kano (1993) points out that firms in addition to a system for preparing strategies need to install a system for realising them. In general, executives deal with two kinds of strategies. *"The first kind, which is effective immediately after decision making, involves personnel, budgeting, or merger and acquisition. The second kind is effective only with a company-wide effort,"* (23). Hoshin kanri, he suggested, is the ideal vehicle for realising the second kind of strategy. However, US companies have encountered a variety of difficulties (just as many Japanese companies did at a similar stage):

- chasing too many rabbits: overloading the vital few;
- an inadequate analysis of data about current states (too much emphasis on dreams rather than overcoming current weaknesses - hoshins are set unrealistically);
- insufficient cross-functional co-ordination;
- too much emphasis on special task teams, when hoshin projects should be deployed through the ordinary organization, when team members come from departments, sections, and whose chiefs have key roles in promoting the hoshin objective (i.e. poor catchball);

- senior management must learn to understand microscopic as well as macroscopic information to offset 'it is the job of lower level managers' syndrome (senior management must understand objectives <u>and</u> the means of carrying them out, or otherwise hoshin kanri begins to resemble MbO).

For normative accounts of practice in US, see Bechtell (1996), and for the health sector specifically, see Melum & Collet (1995). In the language of the resource-based view, hoshin kanri is a dynamic capability for managing strategic resources (core competences and core capabilities). The value of hoshin kanri is that it provides senior management with a FAIR system to mobilise and target efforts across the whole organization to achieve its key strategic objectives, while at the same time maintaining control and improving the effectiveness of its core cross-functional business processes.

There may be nationally-specific cultural differences embedded in hoshin kanri that are hard for western firms and organizations to understand, especially as an integrated and total system. This may be the case with PDCA-based TQC, and is evident for forms of MbO (Hofstede, 1980). For instance, the Japanese preference for formal strategic planning and controls may be culturally based (Chow *et al.* 1994), but as Ittner & Larcker (1997) speculate, the real issue may be about how these formal controls interact with informal ones. Hoshin kanri is a loosely-coupled framework (Weick, 1976) and while overall direction and priorities are determined top-down, the means to achieve these are developed collaboratively and relatively informally. However, the managerial style of leaders in western firms and organizations makes the management of hoshin kanri fragile. If a key manager slips from a theory Y to a theory X inclination, then MoO is likely to slip into MbO mode.

The widespread adoption of hoshin kanri by western organizations is unlikely if its cousin, the balanced scorecard, seems an easier alternative for managers. Andersen *et al.* (2004) argued that the wholesale managerial behavioural changes that TQM needs have not been realised in the West; this makes the adoption of hoshin kanri unlikely and they argued more developed forms of the (a third generation) balanced scorecard offer more hope. Certainly the implementation of hoshin kanri is likely to take time, for example: *"The reason the adoption of policy deployment* [hoshin kanri] *has been slow in the US is because it takes an organization from three to six years to be good at it, and management is often not willing to wait that long. Dr. Juran estimated that, on average, it took about four years. One reason for this time lag is because planning cycles are usually annual, and it takes a few iterations to be really good at PD, especially if it has to be completely imbibed in the corporate culture. In the case of Florida Power & Light (where I was from early 1980 to 1992), it took us about four years to really know what we were doing. Management's penchant for quick results is part of the 'instant pudding' syndrome that Dr. Deming used to talk about. PD results aren't achieved overnight, although the processes under PD may continually yield improvements. Also, since most executive compensation is tied to quarterly dividends (or stock price movement based on quarterly earnings growth), most top managers pay little attention to long-term plans,"* (Munshi, 1997).

Hoshin kanri is a form of strategic deployment. In recent years there are indications that this has become more common in manufacturing firms in the US, especially among large organizations. While slightly more than a quarter (26.9%) of U.S.

manufacturing plants say strategic or policy deployment occurs in their facilities, according to the 2007 IW/MPI Census of U.S. Manufacturers, that percentage shoots up dramatically (to 53%) when one looks only at plants that house 500 or more employees. Indeed, the larger the plant, the more likely strategic deployment occurs there (Justo, 2007).

hoshin planning (see hoshin kanri)

Hoshin Planning is the name of Hewlett-Packard's influential approach, which has been extensively documented in the literature (e.g. Cole, 1999; Witcher & Butterworth, 2000). A distinction is made between hoshins and business fundamentals. Practice varies within the HP group, but the general approach aims to produce both a set of hoshin plans (target and means), and business fundamental plans (incremental QCDE targets and means). These are derived from a senior management review of critical business issues, which are first identified by polling managers who are asked to prioritise business issues in relation to the company's core business processes (one of these processes is the planning and review process). The ones that receive the highest priority are then made into hoshins; some of the remainder are made into business fundamentals for incremental improvement. HP puts a stress on the planning advantages and the company's approach is well known for its documentation. Single pages are used and are shown below. Both hoshin and business fundamentals use the same plan format. This includes an 'objective' (a purpose to be achieved); a 'goal' (a broad indicator that shows a measure of the accomplishment of the objective); 'strategy/owner of strategy' (statement of the approach to achieve the goal, who is responsible for progress); 'means/targets' (statement of the methods and milestones/timing); 'situation' is the background (a short description of the business issue on which the objective was based).

Documentation used at Hewlett-Packard

HOSHIN PLAN

Prepared by:	Date:	Location:
SITUATION		

OBJECTIVE	STRATEGY/OWNER	MEANS/ TARGETS
GOAL		

IMPLEMENTATION TABLE

Department:	Date:				
STRATEGY NUMBER/OWNER					
TACTICS	WHO	Q1	Q2	Q3	Q4

REVIEW TABLE

Prepared by:	Date:		Location:		
STRATEGY	TARGET	ACTUAL	STATUS	CAUSE	ACTION

An implementation table is used at the end of a catchball period to list the activities associated with the strategies/means, shown above as 'tactics', and the individuals responsible for them, against the implementation timelines (the month when an

activity occurs). This table provides a quick reference and overview to use as a departmental check on the timing of resources to enable people to spot any deviations. A review table is written to facilitate periodic review of the progress of the strategies, and will include a summary of intended targets compared to the actual progress on them. Status may be presented as a symbol that is similar to a traffic light, and which indicates if progress is on track (green light), or needs watching (amber), or is off-track altogether and requires corrective action (red). In this last instance the table will include a summary of an analysis of the cause, and possible remedial action (the effectiveness of the follow-up action is checked at the next review). Soin (1992: 80) noted that even if results are satisfactory or much better than plan then the process should still be checked to consider the appropriateness of strategies and the performance measures used. It is important to understand the reasons for both success and failure, to do better.

The distinction between hoshins and business fundamentals seems to have suggested to some consultants (e.g. Total Quality Engineering) a two-sided model for hoshin kanri where hoshins are derived from vision as breakthrough objectives, and incremental cross-functional objectives are derived from mission. Conceptually this is attractive as it makes a distinction between innovatory change management and the management of change based on continuous improvement (kaizen). The first is clearly strategic, while the second is about operational effectiveness. In general Japanese practice, hoshin objectives are typically developed and translated alongside incremental QCDE targets, and are managed together so that they often feed off and add to each other in daily management.

hubris (see Icarus paradox)
human relations school (see scientific management)

human resource management (HRM) (see scientific management)
It is through the actions of employees that strategy is achieved. So the management of people is central. Jack Welch emphasised the need to *"put the right people in the right jobs to drive...* [the strategic idea] *forward...you need to match certain kinds of people with commodity businesses and a different type entirely with high-value added businesses. I don't like to pigeonhole, but the fact is, you get a lot more bang for your buck when strategy and skills fit,"* (2005: 167).

Specifically, HRM is about the management of people as assets (and strategic HRM as strategic resources). *"Companies are increasingly seeing their key resource as their people and the knowledge they carry, so that corporate-wide management of careers across organizational boundaries is becoming important. These horizontal processes need integration too within a corporate sense of purpose. High profile leadership and corporate mission building are necessary to provide the sense of shared corporate identity on which exchange can be built,"* (Pettigrew et al. 2000: 262).

In Japanese management HRM is *"intended to create a strong sense of community within the company, employee loyalty, and a long-term orientation in managerial decision making. Highly selective recruiting...bonuses based on overall corporate performance, and participative management styles are all thought to have contributed to a sense of community,"* (Porter *et al*. 2000: 72). There is a stress on

knowledge sharing rather than skill specialisation as such. This is important to teamwork and cross-functional management where work is based on processes. Selection of the 'right' people in this context could be important where the focus is not just on a person's technical skills, but also personality traits and needs – the whole person.

However, it is not simply people based factors on their own that lead to improvement: for example, for lean production: *"The conventional view, as exemplified by Womack et al. (1990), is that productivity and quality will improve when the morale of workers improves, which occurs as a result of delegating authority...*[so] *productivity and quality will improve because problems will be swiftly addressed or fundamentally solved by workers if the only alternative is a delay in production...high worker morale and an efficient production system automatically guarantee good plan performance...*[However] *it is important to understand that each workshop will be leaner every year only if there is systematic MbO...Productivity is something that is planned and managed, and it must not be overlooked that the mechanism for applying relentless daily pressure on all personnel, including line managers,* [is] *such planning and management,"* (Ishida, 1997: 47-49). In other words, it is objectives not people *per se* that drive progress. It is how people manage objectives and how managers facilitate this that counts. Classically, strategic planning has treated people as part of the internal company assessment (see strategic choice). More recently, people management has received prominence as a core activity in business excellence models, and the resource-based view. The importance of enhancing strategic skills and decision-making for both managers and rank-and-file employees is observed by writers such as Ghoshal & Bartlett (1997) and Senge (1990b). The balanced scorecard and QCDE objectives also give prominence to the strategic significance of HRM-conditioned objectives such as learning and staff development. Training is essential to process oriented organization and this is required for all levels if all employees, including senior managers, are to apply principles such as PDCA to the management of their work. Work must be managed effectively, so that strategy is managed effectively.

As intellectual capital becomes more important as a strategic asset, so loyalty may become more important (Reichheld (1996). However, flexible working may produce key workers that are multi-skilled and team-organised, but in the organization as a whole, the flatter organization could work against loyalty and a sense of belonging (see social capital).

hypercompetition (see dynamic capability, exploitative & explorative learning)
Hypercompetition is a dynamic state of constant disequilibrium and change in the industry. It is a term associated with D'Aveni (1994). The strategies used to gain a competitive advantage involve rapid innovation of the kind associated with the new dotcom enterprises of the late 1990s. The conditions call for a superior ability to focus short-term, which is usually based on good market awareness. In these markets, competitive advantage is transient rather than sustainable, and practitioners typically move on before competitors can react. The emphasis is thus on renewing rather than protecting their sources of competitive advantage (Rindova & Kotha, 2001). In the language of the resource-based view, in high velocity markets like these, firms should use their dynamic capabilities to combine and re-combine

strategic resources repeatedly and dispose of superfluous resources rapidly. This may call for an explorative rather than an exploitative approach to learning.

Icarus paradox (see halo effect, leadership)

Miller (1991) suggests the presence of an Icarus paradox. Icarus, escaping from King Minos of Crete and ignoring the advice of his father, flew too high and close to the sun, which melted the wax holding his feathers and he fell into the sea. The lesson is that successful organizations are likely, in the end, to over-reach themselves, because they continue to follow past prescriptions, thinking that success will breed success. They behave subconsciously, thinking they know the rules for success. They build control, measurement, and rewards systems, to enforce and encourage the existing recipes for success, so that eventually an organization becomes blind to the need for change and alternatives.

"When fresh evidence appears that does not fit...we filter it out, but welcome information that confirms our preconceptions...Executives of all kinds are particularly susceptible, because they have to take decisions quickly, and because previous success reinforces their self-confidence and dislike of criticism. The more successful they have been in the past, the greater the danger...All the experience of John Akers and other senior IBM executives conformed the story they all told themselves in the late 1980s: the mainframe is at the heart of the computer industry, the PC is a sideshow, IBM is unassailable. It took years of terrible blows to make them realise that perhaps none of these things were true anymore. Like the frog that stays in the water that is slowly brought up to the boil till it perishes, few organizations, or people, are good at picking up gradual, subtle alterations in their environments – that their standards have stagnated or slipped while customers' expectations have risen or that competitors have caught up with them. (p.351). Successful *organizations are at the greats risk from over-confidence. Hubris, the fatal flaw of tragic heroes. Leads them to think there is nothing they cannot master, and to refuse to face reality...Netscape dreamed of toppling Microsoft' AOL thought it owned its customers; Webvan believed it would make supermarkets redundant; IBM and Encyclopaedia Britannica refused to believe that the PC would make their mighty products irrelevant....It is hubris that spurs businesses to make acquisitions in markets they do not understand and where they lack the necessary capabilities. AT&T threw away $50 billion in the 1990s on disastrous diversifications in computers and cable television. Marconi, the formerly great GEC...destroyed itself by ill-considered acquisitions during the nineties stock market boom, as did Vivendi, a former French water utility, recklessly buying media companies to feed the vanity of its chief executive, Jean-Marie Messier...Without high levels of self-confidence, few businesses would ever get off the ground. Arrogance that would be obnoxious in other circumstances may actually be advantageous to entrepreneurs, but* (p.353) *not when it comes to answering the really critical questions: what does it take to succeed in this market and does the company have these capabilities? Supermen without a restraining voice to remind them that they are mortal are not good at facing uncomfortable truths," (*Levis, 2009: 354).

ideal types (see heuristic)

A term used by Max Weber to refer to entities that are hypothetical constructions built on empirically observed components or ones that are historically recognised.

Ideal types are not normative, but are heuristic, enabling an investigator to compare sets of characteristics.

images of organizations (see enactment, postmodernism, structure)
Weick (1976: 1) used a metaphor to start his essay about loosely-coupled systems: *"Imagine that you're either the referee, coach, player or spectator at an unconventional soccer match: the field for the game is round; there are several goals scattered haphazardly around the circular field; people can enter and leave the game when they want to; they can throw balls in whenever they want; they can say, 'that's my goal!' if they want to; the entire game takes place on a sloped field; and the game is played as if it makes sense. In you now substitute principals for referees, teachers for coaches, students for players, parents for spectators and schooling for soccer, you have found an equally unconventional depiction of school organizations. The beauty of this depiction is that it captures a different set of realities within educational organizations than are caught when these same organizations are viewed through the tenets of bureaucratic theory."*

Later, Weick (1995) introduced a concept, 'sensemaking'. Where there is no existing reference frame in place, then to understand an organization it is necessary to create one through sensemaking: *"If accuracy is nice but not necessary in sensemaking, then what is necessary? The answer is, something that preserves plausibility and coherence, something that is reasonable and memorable, as something that embodies past experience and expectations, something which resonates with other people, something that can be constructed retrospectively but also can be used prospectively, something that captures both a feeling and thought, something that allows for embellishment to fit current oddities, something that is fun to construct. In short, what is necessary in sensemaking is a good story,"* (Weick, 1995: 609-610).

A 'story' is a user-friendly mental frame, for articulating a way of seeing and acting. Beliefs shape what people see and give form to the actions they take. Belief can be projected into the future to form expectations (to become a self-fulfilling prophecy, Merton, 1948). Morgan (1996) used images as sense-making tools to categorise organizations to understand the essence of different organizational forms.

implementation (see strategy implementation)

improvement change (see management of change, continuous change, kaizen)
Improvement change is focused on sustaining an existing business model**.**

improvement targets (see hoshin kanri, breakthrough objectives)
These are strategiucally0linked cross0functional objectives that people use to continuously improve performance in daily management. They are normally associated with the management of an organization's mission and the effectiveness of its business model. They are different from breakthrough objectives, with which they linked.

incentives & rewards (see motivation, HRM, alignment)
In general the management literature emphasizes the importance of incentives on motivation and performance. Some of this seems arbitrary, even cold. For example, Jack Welch at GE followed a policy of differentiation: the top 20% of performers

were rewarded, an ordinary 70% were motivated to do better, and the remaining 10% had to leave – a principle of 'cultivate the strong and cull the weak' (Welch, 2005). This principle also applied at GE to products (products had to be either #1 or #2 in their markets). The advantage of the 20-70-10 principle was that it created transparency. People knew what was expected and what they had to achieve.

Lorange (1980) argued that managerial incentives should be linked into strategic planning: *"The concept of strategic planning rests upon the premium that managers are motivated and willing to work together in a shared direction toward a long-term strategic position advantageous to the firm. For this to be possible there must be at least some degree of congruence between the personal goals of each individual key manager and the corporation's goals,"* (52).

Individualism, job mobility, and targets that focus on short-termism can be bad for strategic management in general, if they downplay longer-term purpose and teamwork based on cross-functional working. This comment was made by a manager in a large oil company: *'Typically a senior manager's tenure is two to three years; objectives that will not demonstrate their performance within this period are often ignored or* [are] *fitted into unrealistic time frames. Cross-functional relationships are not fully considered causing a misalignment within the unit. Measurement taken against Tasks and Targets does reward individual performance through a bonus scheme, but this performance can, and often is, at the expense of others,' (unpublished source).*

Incentives should ameliorate goal incongruence. Lorange argued for three classes of managerial incentives: monetary rewards (bonuses, stock options); non-monetary (job promotion, job assignments, an encouragement of professionalism, the degree of discretion such as a budget might provide given to a manager, fringe benefits, prestige items; behavioural incentives, feedback, recognition, appraisal. The key is to tie performance with the achievement of an objective or programme.

Some companies link the strategic performance of the organization with managerial salaries. Conventionally this establishes a link with financial performance, but salaries may also be tied into customer and employee satisfaction and other indicators of organizational effectiveness. Some authorities are critical of such links, arguing that they are divisive and that organizations should not reward people for things that should be part of their jobs: for example, *"Focus on outcome (management by numbers, MbO, work standards, meet specifications, zero defects, appraisal of performance) must be abolished, leadership* [rather than supervision – emphasis must be placed on quality, processes] *must be put in place,"* (Deming, 1986: 54). Some argued the reason for the organization of 'the firm' is to internalise rewards (i.e. remove from an external market) and make them team rather than individually based: *"The essence of internal organization is that it is a domain of unleveraged or low-powered incentives. By unleveraged we mean the rewards are determined at the group or organizational level, not primarily at the individual level, in an effort to encourage team behaviour not individual behaviour,"* (Teece *et al*. 517). (Compare with internal markets, where intra-firm competition is thought desirable.)

Most companies <u>do</u> use performance-related schemes. Some bonuses to focus senior managers on a pressing company-wide need. Ericsson, the Swedish

telecommunications company, scrapped its normal annual bonus system in 2001 to link the pay of 3000 senior managers to cash-flow objectives (Brown-Humes, 2001). Pay systems in general are based on the job that people have to do, and often those activities that are most concerned with strategic imperatives require additional effort and consideration. Unless this additional effort is explicitly linked to rewards then it can act to de-prioritise strategy. This also applies to promotion. Lawler (1998) suggests that some firms have implemented skill-based pay, where people have been rewarded for developing strategically important competences.

incrementalism (see the emergent view of strategy, Honda effect)
This is the view that strategy development proceeds incrementally to take into account the limited cognitive capacity of strategic planning and to allow for environmental uncertainty and complexity (Cyert & March, 1963; Lindblom, 1959; Mintzberg, 1973, 1985; Quinn, 1978, 1980). Lindblom (1950) argued strategy in the public sector had been built successively through 'a science of muddling through' a comparison of limited options (a kind of disjointed incrementalism) rather than as a deliberate process of planning. This has pragmatic advantages: problems are scaled down; principles and rules that might produce intransigence in participants are avoided. Cohen *et al.* (1972) suggested that decisions result from a garbage can mixture of (often existing and unrelated) problems, opportunities, solutions and resources. Stacey (2000) suggested: *"Instead of working from a statement of desired ends to the means required to achieve them, managers choose the ends and the means simultaneously...a good policy is...one that gets widespread support. It is then carried out in incremental stages, preserving flexibility to change it as conditions change. The policy is pursued in stages of successive limited comparisons. In this approach, dramatically new policies are not considered. New policies have to be close to existing ones...This makes it unnecessary to undertake fundamental new enquiries...also involves ignoring important possible consequences but serious lasting mistakes can be avoided because the changes are being made in small steps,"* (96).

Quinn (1978; 1980) introduces the notion of logical incrementalism to explain incrementalism as a managed interactive learning process. While corporate management may feel unit managers are behaving irrationally by implementing corporate in small steps or even delaying actions, really these managers are implementing strategy in ways that give flexibility, ability to experiment, and, in the instance of delay, a chance to acquire more information, build consensus and reduce risk. Quinn argued that effective corporate strategy is developed around a few key concepts and thrusts, which give cohesion, balance and focus. The essence of corporate strategy is to build a strong posture that is flexible enough to deal with the unknowable. Quinn quotes a Prussian army officer, Karl von Clausewitz (1833), *'All that theory can do is give the artist or soldier points of reference and standards of evaluation...with the ultimate purpose of not telling him how to act but of developing his judgement'*.

The idea that incrementalism represents a single coherent response is questionable. As Challis *et al.* (1988) note for public sector organizations, incrementalism could convey any or all of the following: The avoidance of grand strategies in favour of single-issue decision-making; the avoidance of elaborate policy analysis in favour of political judgement and the intelligence of democracy; the avoidance of centralized

policy-making in favour of more decentralised decision-taking; the avoidance of dramatic change in policy objectives in favour of more conservative patterns of change; and the acceptance of undramatic or conservative shifts in policy outputs at the expense of radical change. Indeed there is no reason to suppose that rational planning does not (necessarily) accommodate incremental thinking - especially for the modification of corporate strategy during its implementation and execution as local strategy and shorter-term plans. Incrementalism can apply to technical change, as a steady accretion of innumerable minor improvements and modifications, with only very infrequent major innovations (Rosenberg (1982).

industry analysis (see competitive strategy)

industry life cycle (see product life cycle)
The distinctive stages in the projected life of an industry's products and service.

information & analysis (see quality tools, bounded rationality)
In general, information processing is related to organizational effectiveness. However, the research literature raises doubts about how information is actually used. For example, (1) organizational members judgements about a situation may be more strongly influenced by the people with whom they interact than by their own direct experience with the data (Rice & Aydin, 1991; Salancik & Pfeffer, 1978); (2) analyses of information often serves political rather than rational motives, so e.g. extensive analysis may be used to bolster predetermined conclusions, rather than discover an effective approach to a problem (Pettigrew, 1973; Pfeffer, 1981); (3) analysis is often conducted to create the appearance of a rational process, in hope of legitimising whatever course of action is eventually pursued (Langley, 1989); (4) People's limited information-processing ability suggests that decision makers will always be working with simplified definitions of situations, and the choices they make will be at best satisfactory (March & Simon, 1958). Fredrickson (1984) found that comprehensive decision making is positively related to performance in the stable conditions of the paint industry, but negatively related for the unstable forest products industry.

"Other researchers have concluded that rational comprehensive information processing is of limited usefulness or even counterproductive under conditions in which multiple problem definitions are possible, goals are ambiguous, or uncertainty is great (Lord & Maher, 1990; March & Olsen, 1976; Daft et al. 1988)...In summary, management theorists see information processing as useful in general but potentially irrelevant or even hazardous in specific situations. [See Miles & Snow 'analyser' adaptation strategy.] Researchers since March & Simon (1958), however, have devoted little effort to developing realistic prescriptions for organizational decision making and information processing...the need for prescriptive theories of decision making and information processing represents an important research opportunity (Eisenhardt & Zbaracki, 1992)," (Dean & Bowen, 1994: 407).

information systems (see strategic management accounting)
These are usually interpretative frameworks for managing and using data to some pre-specified purpose. Too often these are little more than data systems. The most fundamental concept of information theory is that data becomes information only when related to some prior expectation. Facts acquire meaning only when matched

with theory. There is an implicit assumption that we know what we need to know – and many of the system employ further assumptions that the needs of the system users can be accurately gauged by those who design and operate it. The most critical decisions are liable to arise from circumstances that were unexpected. Often the most critical decisions cannot be programmed into a formal system. The same is true for plans and the information they use and the proposed strategy for acting on this information.

innovation (see management of change, disruptive innovation)
Research and development (R&D) is a basic term, where 'research' includes basic and theoretical research that is primarily about the creation of knowledge; while 'development' involves research for the achievement of a commercial application, and development activities guided directly by specific commercial purposes. For a company whose business depends upon technology, science, and where markets are continuously changing, R&D is central to strategy. Jean-Pierre Garnier, CEO of Glaxo Smith Kline, a pharmaceutical company (the UK's largest spender on R&D, and 16% of its turnover is spent on pharmaceuticals), observes - *"Either it's at the centre of your enterprise or it's not there. You can't do innovation on the side...it's not about some guy who shouts 'Eureka' and finds an iPod. Innovation is a lot about unexpected occurrences and solving problems...you have to allow for failure inside your organization* [1 in 10 drugs fail]*"*, (Durman, 2005). It is necessary for companies to take risks and too many layers of decision-making are likely to inhibit innovation.

Innovation is defined by the EFQM (1999) as the practical translation of ideas into new products, services, processes, systems and social interactions. It can mean a change in technology, a (usually radical) new product and service, a major departure from previous ways of doing things. Most successful innovation takes place within well-established organizations, mainly large companies. Innovation is typically championed by intrapreneurs (entrepreneurs who work on internal projects). This is necessary as innovation is often disruptive to established working and is likely to be opposed by vested interests. Organizations take elaborate action to protect new development from their existing cultures. The small, secretive and anti-bureaucratic Lockheed Martin's skunk-works (first established in the late 1940s) has produced a string of innovative military aircraft, is the most often cited example.

Organizations may use innovation as their overall strategy; for example at 3M. It is, anyway, important to manage invention, development, and commercialisation, cross-functionally to ensure they are not treated as separate and sequential processes, but are close and feed off each other, making products and services relevant to needs (*Economist*, 1999a). Burns & Stalker (1961) argued for an *"organic system of management"* where organizational structure is contingent on the changing needs of a particular situation.

In fact, innovation is more than developing new products, since it typically involves the redesign of processes, and even of a firm's business model. Thus, it is necessary to take a broad view of innovative activity, to consider not only R&D, but also the necessary business innovation to facilitate change, develop new markets. The capacity for management innovation is an important influence on productivity. This is implicit in much of the resource-based view theory of strategy and the firm, the

literature about core competences and dynamic capabilities; in the latter case, Teece (2007) argued for a form of managerial fitness to enhance and complement evolutionary or technical fitness and competence (see, also, core competence).

Many of the UK's productivity problems may lie in poor forms of managing. A capacity for management innovation allows firms to enhance performance over time, perhaps more so than through product and technical innovation. Firms may increasingly move away from the use of technology to replace employees to using it to enhance performance. This will need the development of systems to improve employee skills: *"Employees have to deal with highly specific questions that require interpolation and problem-solving...new 'tacit-intensive' employees tend...to be more skilled and more intelligent, and bring greater experience and emotional depth to their work...the next big innovation may be within management itself. There is a need...for new processes, structures and practices that govern the work of management,"* (Witzel, 2005b).

In western countries with high exchange rates, innovative practice, offering products and services that are different, are the main ways of competing with cheaper manufacturers in countries such as China. German manufacturers have had a strong currency for most of the post-war years, but have maintained their profitability through investment and improved productivity. Being innovative and having the ability to gain and develop new skills and knowledge earlier than competitors, is a competitive advantage. Drucker (1969) early on compared the success of Japan to the UK which, he argued, had lost out because it had failed to support new innovative industries and maintain technological leadership; competitive success between nations in the future will depend upon the ability of nations to compete in new technologies.

Schumpeter (1934) sees economic development as a process where entrepreneurs dip into a stream of technical opportunities to bring innovations to market. The successful innovator first achieves a monopoly, but over time this is whittled away by the entry of imitators. This process makes obsolete yesterday's capital equipment and investment; so that a 'gale of creative destruction' drives development as a continuous evolutionary process. *"The fundamental impulse that keeps the capitalist engine in motion comes from the new consumers' goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates,"* (Schumpeter, 1976: 83). The idea is echoed in the notion of hyper-competition (Wiggens & Ruefli, 2005) and disruptive innovation (below).

A distinction is classically made in the technical innovation literature between incremental and radical innovation. The former relating to minor innovation within existing technologies, with changes in products and services; while radical innovation refers to the development of new engineering and scientific principles, which can lead to the creation of new markets and industries (Abernathy & Utterback, 1978). Contrasting organizational capabilities are required for each. The idea is similar to the one for explorative and exploitative learning; that different types of dynamic capability are needed. Henderson & Clark (1990) argued that the distinction between radical and incremental is superficial since numerous modest changes in existing technology can have dramatic competitive consequences.

Innovation that involves a radical departure from an organization's existing business (even industry) may have to be developed physically in another place and by an independent project team, to protect new ideas from vested interests. When Singer invented a new electric sewing machine, it was built in secret in a so-called 'skunk works', away from the company's existing businesses. IBM developed its PCs in a group that was outside the company's mainstream culture, which was based on big computers and where the idea of a future mass market was little understood and likely to be given a low priority. Richard Foster (1986) argued that when an industry's underlying technology changes, new entrants have the advantage over the existing companies; such as when values were replaced by transistors, which in turn were replaced by integrated circuits in the electronics industry.

The early stages of a technological revolution may not be easy. When steam ships were developed during the ninetieth century, sailing ship technology responded and for a while were more efficient (this became know more generally in the management of innovation as the 'sailing ship effect'). Quite often a new technology has a cannibalising effect on existing business and this in itself may encourage existing companies to ignore change.

However, the attempt to embrace change with innovation is risky. In 1998 a consortium led by Motorola launched the world's first global telephone service, Iridium. It had spent $5 billion on 66 low-orbiting satellites. Market research suggested between 32 and 42 million customers by 2007. However, the telephone handsets were large and heavy and expensive, costing $3,000 each. And many sets did not work inside buildings because the satellites required a direct line of sight to recovers. Calls were as much as $7 a minute. In the mean time mobiles had developed. In 1998 only 10,000 customers had been achieved and Iridium filed for bankruptcy. (Levis, 2009: 333).

inside-out, outside-in (influences on) strategy (see strategic choice)
Inside-out factors are those influences on thinking about strategy that are primarily driven by internal conditions that are specific to the organization concerned. Outside-in are those influences on thinking about strategy that are primarily driven by conditions in the external environment. Companies can transform themselves through external expansion involving M&A activity – outside in, or they can transform themselves through internal (organic) growth – inside out. The outside-in approach places the market, the competition, and the customer, at the centre of strategy and its formation. Inside-out favours putting strategic resources, such as core competences, at the centre. However, the two may be hard to separate: for example, a strategic resource such as a dynamic capability like lean production is based on customer value based processes and the voice of the customer.

intangible resources (see the balanced scorecard, resource-based view)
Kaplan & Norton (2001a) note that strategies for creating value have shifted from managing tangible assets to knowledge-based strategies that create and deploy an organization's intangible assets. They list intangibles as customer relationships, innovative products and services, high quality and responsive operating processes, skills and knowledge of the workforce, supporting IT infrastructure linking the firm to its suppliers, an organizational climate that encourages innovation, problem-

solving and improvement. The objectives used for managing intangibles can be included in a balanced scorecard. In the resource-based view of strategy, the intangibility of such resources makes them difficult for rivals to imitate easily, and while they rarely have a commeasurable market value, they are strategically important to a firm's competitive advantage.

integration (see FAIR, daily management, total quality management)
As a part of FAIR integration means the integration of strategy into daily management (and operations). This must not be confused with strategy implementation, which is more about the implementation of a strategic plan and its execution in terms of structure, control, and culture. This is important because in many western organizations a stress is placed on the implementation of corporate strategy in terms of design rather than the management of strategy as a continuous and managed activity. Integration places the stress on building strategy into daily work where it can be managed as a part of daily management and routine working. The effectiveness of review at all levels is important to ensure that strategic related actions are sensitive to changes over time, and that if follow-up actions are necessary, then these are managed to ensure that the knock-on effects will be fully understood. Otherwise operational adjustments and improvisations are likely to squeeze out strategic priorities or alter them in unforeseen and little understood ways.

Integration also applies to functional management. For example, pointing to the difference in cognitive and emotional orientations among managers in different functional departments, Lawrence & Lorsch (1967) defined integration as: *"the quality of the states of collaboration that exists among departments that is required to achieve unit of effort by the demands of the environment. (11) …early theorists did not explicitly recognise the relationship between the states of differentiation and integration, they did emphasise the need for integration in the organization. Their view, however, was that integration is accomplished through an entirely rational and mechanical process. If the total task of the organization was divided up according to certain principles, the integration would be taken care of simply by issuing orders through the management hierarchy, 'the chain of command'. Our view, on the other hand, is that integration is not achieved by such an automatic process. In fact, the different points of view held by various functional specialists are frequently going to lead to conflicts about what direction to take. To achieve effective integration these conflicts must be resolved. The managerial hierarchy provides one means through which this resolution can come about, but it is not the only means. In many organizations integrating committees and teams are established or individual integrators are designated to facilitate collaboration among functional departments at all management levels. Routine control and scheduling procedures also provide a means of achieving integration. Finally, much integrating activity is carried out by individual managers outside official channels."* (12).

Integration is also managed through cross-functional management, and especially to project work involving organization-wide problem solving and organization-wide capabilities (e.g. planning and new product development). A key factor is the quality of personal relationships with key managers in different functions, consensus building, and how collaborations demonstrate that actions are in everybody's best interests. Effective integration may depend upon trust and good strategic thinking skills. Internal marketing and communications programmes might be useful.

Business approaches such as TQM encourage manager mobility and cross-functional working where the importance of customer focused behaviour is explicitly recognised and used to legitimise action. In hoshin kanri a stress is placed on the management of cross-functional objectives, and associated and participative forms of strategy deployment, such as catchball planning.

intended strategy (see emergent view of strategy)

internal controls
These are accounting-based and managed by accountants and internal auditors. These provide the procedural checks and balances that safeguard assets and assure the integrity of data (Simons, 1995b).

internal customer (see total quality management)

internal markets (see organizational economics)
Internal markets are created within firms as quasi markets (Arrow, 1969) and involve efforts to simulate market behaviour inside single organizations or an organizational group, such as a large corporation. The purpose is typically to achieve efficiencies, say, based on competing cost centres and/or through formal contracts. This approach has been favoured by recent UK governments for parts of the public sector, notably the NHS, where health trusts must negotiate contracts with internal NHS suppliers and customers. In part this has created a more cost-conscious orientation, but this may have been at the expense of a patient-caring culture. More generally, collaborative efforts that encourage learning and technology transfer may be jeopardised, if incentives and rewards work to encourage individualism rather than collective behaviours. After all, firms are brought into existence for collaborative purposes. *"What is distinctive about firms is that they are domains for organizing activity in a non-market like fashion. According, as we discuss what is distinctive about firms, we stress competences/capabilities which are ways of organising and getting things done which cannot be accomplished merely by using the price system to coordinate activity. The very essence of capabilities/competences is that they cannot be readily assembled through markets,"* (Teece *et al.* 1997: 517).

The logic for markets vs. firms (hierarchies) in the more narrow sense of transaction efficiency was examined by Williamson (1975, 1985). Zenger (2002) observed that initiatives to introduce market influences to achieve hybrid governance are often implemented in isolation; this violates patterns of complementarity that sustain the hierarchical structure of the firm and can spiral hierarchies toward fundamental transformations.

internal marketing (see marketing, corporate image, alignment).
*"Corporate internal marketing takes a holistic view of an organization. It creates an inspiring climate in which, by developing a framework of targeted communication aimed at everyone in the organization, motivation and morale thrive. It ensures that both the internal people relationships and the business's resources are working in harmony t*o *achieve the organization's strategic and tactical goals,"* (Thomson, 1990: xii). This includes internal communications, where media (from publications to presentations) are used to convey strategy, background, success stories and lessons. Can include human resource management where employees are perceived as internal

customers, and periodic research is conducted in the form of employee surveys, focus groups, development/training etc. Internal marketing can sometimes seem faddism when its ever-changing campaigns and programmes, if over-done, seem to rank and file employees like so many flavour of the month programmes. However, it can keep employees interested, and feeling involved with strategy and purpose. Thus Ray Kroc CEO of McDonald's in claiming the company to be the most unstructured one he knew, argued that to keep his executives secure and hard working, a *"thousand communication techniques* [were necessary] *to keep morale high and instil an atmosphere of trust and cooperation. These* [included] *Hamburger University and the 'All-American Hamburger Maker' competition among employees,"* (Miller, 1990: 344). Peters & Waterman (1982) emphasised the importance of a willingness of managers to come out from behind their desks and create a reputation for trustworthiness and caring for their employees – 'walk the talk', or 'management by walking about'. Internal marketing is often linked to public relations where it is about influencing those groups (publics) that facilitate and have a need to understand an organization's purpose and activities.

international strategy (see global-level strategy)
One of the four strategy approaches for global-level business; it involves the management by organizations of their strategic resources to exploit markets in different countries.

Internet (see technology)
The Internet is a global system of interconnected organizational and individual computer networks that makes use of the Internet Protocol Suite (TCP/IP). It facilitates access to information resources and services, in particular the inter-linked hypertext documents of the World Wide Web (www), and the infrastructure that supports e-mail, and other e-services involving voice and video. The origins of the technology lie in the 1960s and the United States military, but the commercialisation and rapid development of services occurred in the mid-1990s. It has been suggested that a quarter of the world's population now uses the Internet.

Business success with the Internet extends beyond improving technology to deliver more content at lower cost. At the time of the dot.com boom the business models were similar: *"attract lots of people to the website, try to keep there as long as possible, and hope to 'monetise the eyeballs' by selling advertising. In the early days this model only really worked for one company, AOL, and that not for long…The 'razors and blades' model invented by King C. Gillette in 1901 is also going strong: sell the basic product at a low cost and make better margins on the blades (or ink cartridges for printers, or air time on mobile phone networks). Microsoft's Hotmail is a variation on this model – the basic product is free, but users pay for additional storage."* (Levis, 2009: 161).

The long-term Internet market makers virtually all started off with a very narrow focus, which was only broadened out with more markets and when they established a leadership position. For example, Amazon kept to online bookselling until 1997, when it moved into music, by which time it had well tested processes and capabilities, which worked as well for CDs as for books. The traditional and established corporations were constrained by their existing interests. The solution for these organizations is to establish a separate and autonomous organization that is focused

on an opportunity, and has its own strategy, management and culture. IBM did this to introduce its PC business. Levis (2009: 167-168) outlines eight essential attributes for successful market creators. He says there are others, but these below seem to be held by all the successes. It should also be remembered that the external business environment also needs to work in market-makers favour, such as funding (which might not be so readily available after the global financial crisis):

- *A clear strategic vision based on a radically different way of meeting a large, previously unsatisfied customer need.*
- *A set of highly distinctive capabilities – technological, marketing and logistical – tailored to the needs of the market/*
- *Value propositions that are so compelling that they change customer behaviour and shift loyalties.*
- *An entrepreneurial but disciplined organization that balances creativity with practicality, is innovative but pragmatic, and creates effective teams.*
- *A robust, radical business model that is not easily imitable.*
- *Genuine concern for quality and consistency of the customer experience.*
- *Leadership that ensures the clear communication of strategic direction and consistent implementation/*
- *Sharp focus on the chosen market.*

Latent demand and venture capital were particularly important. (Levis notes that a completely different set of attributes is required for 'enduring industry leadership'.)

The importance of transparency and freely and easily available information has been important. For example, the eBay feedback system gives every buyer and seller a score for every transaction, with the total publicly displayed. With this degree of transparency trust ceases to be important as it was in everyone's interest to behave well. It meant that total strangers could do business in second-hand items in confidence. This was completely new: the provision of information and transactions immediately alongside each other.

The nature of buying online makes it easier to supply information for consumers to conduct their product and service searches, rather than using, say, hardcopy directories. Many businesses (including small ones) can place advertisements with Google and others in way that link them directly to pages and areas of consumer search. This offers value in terms of sales leads if payments are made on the basis of the number of clicks made by prospects for visiting their websites.

Another important factor is network effects. A virtual network can be defining as a community of users who interact with a common service, products, and have common sets of behavioural patterns. Bob Metcalf developed Ethernet, which was a local area network that linked PCs; 'Metcalf's law' states that the value of a network is proportionate to the square of the number of its members. This is not literally true, of course, but once it grows a tipping point is reached when a critical mass is reached for growth to take-off. Once this has occurred then it is difficult to tempt members to leave the network. A large network, such as a telephone system or dating agency is more attractive. (See S-curve.)

Large Internet businesses are especially able to exploit what Chris Anderson has called the 'long tail' (Anderson, 2006). Most conventional businesses are constrained in the range of products they can offer customers. So, for example, a book or music

retailer can only offer the best selling titles, since capacity and storage is limited. Those products for which there is a limited and infrequent demand – the long tail – are not stocked. There are also products wanted by small niche markets and specialist users, where premiums are necessary to cover the extra costs associated with meeting low demand. However, online retailers can profitable facilitate the sale of low-selling items by reaching a wider and more geographically distant market. Also online retailers are likely to have relatively lower storage costs. In aggregate occasional and specialist demand can add up significantly. In statistics, a curve that charts high frequencies at the beginning and then tails off, so that the tail is very long relative to the head, is called a long-tailed distribution. The Internet has opened up distant markets for both start-ups and SMEs, so that with a website it is possible to achieve a global reach fairly easily.

Increasingly, large global companies are using the Internet. *"Wal-Mart aims to emulate Amazon's global online expansion, saying it will invest 'millions of dollars' in a global e-commerce technology platform that can readily be deployed by its subsidiaries in China, Japan and Latin America. The retailer is increasingly looking to overseas sales to offset slowing growth in the US, and says the global Internet project will be a multi-billion dollar opportunity over the next three to five years'. A new global e-commerce unit at Wal-Mart's international division will oversee the creation of a platform that could sell groceries, general merchandise and digital products while linking up with its stores and with call centres. In the US, the Wal-Mart.com website has sales estimated at $2bn a year and is the most visited US retailer's site after Amazon, the world's largest Internet retailer...*[Wal-Mart will build] *a 'globally scalable' system that would essentially act as a kit of online parts – that could be readily deployed in different markets...The move also reflects growing interest among US retailers in the international possibilities of e-commerce, after their initial focus on the expansion of the US market. Online now accounts for about 13% of total US retail sales excluding cars and groceries,"* (Birchall, 2008).

Once established, Internet-based market makers have moved from collaborative to acquisitive activity to crush rivals or to take advantage of emerging opportunities or to deter potential threats. *"A pattern* [has] *now emerged of eBay relying on its muscle and its money to eliminate or crush competition, rather than developing new organizational capabilities,"* (Levis, 2009: 184). Microsoft has incorporated into its operating system features such as browsers that had previously been available as individual programmes, and has withheld information on Windows so that its own programs will interact with its operating system more smoothly than those of rivals.

As far as conventional business is concerned the rise of the Internet is unlikely to sweep away even industries that have been strongly affected by the new technology. In many retail areas customers will want to see and touch the things on sale. Cinemas offer an intense and involving experience and bookshops the opportunity to browse and sense products. These things may not disappear, but the organizations employed in offering these things will have to focus more closely than they have before on those strategic assets and a customer value proposition that make them clearly different from the value offered by competition on the Internet.

intrapreneurship (see R&D, entrepreneurial leadership)
involvement (see consensus, incentives and rewards)

ISO 9000 (see performance excellence models, total quality management)
The ISO (International Standards Office) 9000 series is a set of three quality standards 9001/2/3, covering design, manufacture, and distribution. There is also 9004, which gives a more detailed description of a quality system. ISO 9000 was largely derived from the original British Standard Institute's BS 5750 series. The ISO 9000 series was created in 1987 by the International Organization for Standardisation in Geneva, to establish internationally recognised quality management system requirements. To get certification organizations must be audited by officially recognised third party and trained auditors; if they are judged to be at a sufficient standard then they are certified and registered with a national standards body (usually a government-sponsored agency). ISO 9001 is the most comprehensive of the standards; it covers process conformance from the initial product development stage, through production, test, installation, and servicing, and it is based on a three-tiered system of documents including a quality manual, procedures, and tasks. The quality manual is used to document quality policies and objectives, and specifies the responsibilities of the personnel charged with implementation. Procedures (termed the second tier of documents) are derived from the manual, and apply at an inter-departmental level. The tasks (the third tier of documents) are the departmental step-by-step directions at a job level. Certification signals to customers, suppliers, etc that an organization's procedures are to, or above, a minimum quality standard. Once granted, organizations continue to be periodically inspected. Approximately 250,000 organizations have ISO 9000 worldwide. The standards were reviewed in 2000 and 2002, and now more resemble the criteria specified in performance excellence models. Before 2000 the auditing process followed a 'do what you document, document what you do, and prove it' approach. The up-dated version is *"functionally similar to the Plan-Do-Check-Act (PDCA) improvement process,"* (Pearch & Kitka, 2000: 113-114). This change is a move from ISO 9000 just being a quality system to its becoming a management system: effective strategic business planning, the importance of the external customer, and continuous improvement, are all recognised.

Not everybody agrees that externally-derived (to the organization) standards can be effective 'management'. It may be that an organization's system (the way it works) is too specific to relate it very meaningfully to a generic system like ISO 9000. Quality should be decided by the needs of an organization's customers; in the rather strong words of John Seddon (2002): *"I don't think ISO 9000 would exist, currently, if it hadn't been for marketplace coercion. You comply or we don't buy. There is no evidence of its efficacy. When looking into the history, it's something that started in the Second World War because we had problems with bombs going off in the factories. It is no more than a bad theory for the control of output. It's got nothing to do with quality. Even the year 2000 revision doesn't get close. It maintains a separation of design from process...* [real] *Quality integrates design with process. Well, at least it does in the Toyota system,"* (8).

Japanization (see Japanese management)
Japanization is a term associated with Oliver & Wilkinson (1988). It means the spread and transplant of ideas from Japan to the West, such as those associated with the TQM movement, lean working and related HRM practices.

Non-Japanese organizations have often cherry-picked whet they see as the most suitable ideas for their businesses, when for true effectiveness it is probably better to take a more holistic approach for transferring ideas. Oliver & Wilkinson (1988) stressed that *"the real issue is not simply one of whether or nor particular elements of Japanese business strategy (such as production methods, personnel practices and so on) can be transferred to a different socio-economic environment. Equally significant is the extent to which these personnel practices fit with other elements of a company's total strategy, such as its manufacturing strategy, which in turn must fit with the organization's marketing strategy. What is noteworthy about successful Japanese companies (in general) is the goodness of fit between strategies employed by their various constituent parts,"* (134).

There is some evidence that western workforces can sometimes use Japanese ideas more effectively than the Japanese. *"What's interesting the Japanese in particular is how you can take a group of people, the vast majority of whom have not worked in the car industry before, and achieve a level of quality it takes many years to achieve in Japan. In Japan you have to work for 18 years on the production line before you become a foreman. We* [Nissan, UK] *have people aged 24 whose productivity levels are as good as, if not better than, those coming out of Japan,"* (Wickens, 1988).

Japanese management (see nemawashi, hoshin kanri, keiretsu, QCDE)
Porter *et al.* (2000: ch. 3) summarised the elements of the 'Japanese corporate model':
- High quality & low cost performance (see world class performance)
- A wide array of models & features (high economies of scope)
- Lean production
- Employees regarded as assets (see HRM)
- Permanent employment for key workers
- Leadership by consensus (see nemawashi)
- Strong inter-corporate networks (keiretsu)
- Long-term goals (in contrast to short-termism, see financial perspective)
- Internal diversification into high growth industries, by internal development & related business
- Close working relationship with government (work in government targeted areas)

"In the late 1940s and 1950s, Japan competed largely on low price and low wages, selling cheap imitations of western goods. Understanding the limits of that approach, the nation underwent a stunning transformation to a new mode of competition. Drawing on the ideas of Deming and Juran, Japan began to compete not just on price but on quality. The practices and approaches Japan pioneered in doing so changed competition forever throughout the world," (Porter *et al*. 2000: 189).

This new competition called into question the sufficiency of Porter's ideas about generic strategy (see competitive strategy), since the Japanese managed to raise quality at the same time as they became cost leaders in many industries. Porter, however, asserted that the success of the Japanese was a result of operational effectiveness rather than *"distinct strategic positions...Japan is notoriously consensus oriented, and companies have a strong tendency to mediate differences among individuals rather than accentuate them...*[They] *have a deeply ingrained service*

tradition that predisposes them to go to great lengths to satisfy any need a customer expresses. Companies that compete in that way end up blurring their distinct positioning, becoming all things to all men," (1996: 63).

Early work by Hayashi (1978) suggested that while the Japanese use strategic planning, they do so organically to clarify policy goals, and to facilitate devolved strategic decisions and action. Mintzberg noted that Ohmae (1982: 224-225) had observed that *"most large US corporations are run like the Soviet economy"* with an emphasis on central plans and details that spell out expectations for managers' actions. This is *"a remarkably effective way of killing creativity and entrepreneurship at the extremities of the organization...*[the Japanese firm is] *less planned, less rigid, but more vision- and mission-driven then the western organizations,"* (Mintzberg, 1994: 414). Ansoff (1984) argued that Japanese problem solving involves a parallel planning-implementation process that because it involves everyone, ensures their cultural and political acceptance.

The Japanization literature in particular gives prominence to 'three treasures', which are life-term employment; promotion and remuneration on seniority rather than performance, and enterprise unions (Dohse *et al.* 1988). It was an apparent Japanese ability to manage people that seemed to stand out. In a history of Japan, Morishima (1982) argued that Japanese Confucian ideas have worked to make its capitalism nationalistic, paternalistic and anti-individualistic, which acted against the western functionalism and professionalism, which, in the eyes of some Japanese makes them better managers of people. In 1988, Konosuke Matsushita, Matsushita CEO, in a talk to American business people in the 1970s at Osaka, asserted: *"We are going to win and the industrial west is going to lose. There is nothing you can do about this because the reasons for your failure are within yourselves. With your bosses doing the thinking while the workers wield the screwdrivers, you are convinced deep down that this is the right way to run a business. For you the essence of management is getting the ideas out of the heads of the bosses and into the heads of labour. The survival of firms today is so hazardous in an increasingly unpredictable environment that their continual existence depends upon on the day-to-day mobilisation of every pounce of intelligence. For us the core of management is the art of mobilising and putting together the intellectual resources of all employees in the service of the firm."*

Clegg (1990) stressed the importance of work practices, such as quality control and performance measures, as factors that *"may well be at the root of Japanese economic success, rather than an economic culture which stresses post-Confucian values of consensus and group harmony. Groupism variables in Japanese organizations are not associated positively with performance,"* (141). On the other hand, Alston (1986) argued: *"Management control cannot be separated from culture. Japanese managers rely on traditional values and social customs to achieve high levels of worker productivity in modern industrial sectors. Japanese managerial arrangements reflect, and reinforce, traditional values. It is this melding of modern practices and traditional values that has helped the Japanese achieve international economic pre-eminence,"* (x).

Pettigrew *et al.* (2000) presented evidence that Japanese manufacturing organizations had taller hierarchies, less functional specialisation, less formal delegation of authority and more *de facto* participation in decisions by lower levels of management;

organization was more integrated, adaptable, and flexible, than in the West. They also pointed out that frequent job rotation and regular training helped to build generalist skills, and that strong hierarchies combined with strong processes of horizontal co-ordination, acted to encourage both knowledge creating and sharing (see hoshin kanri).

The Japanese share of world trade reached a peak during the mid-1980s, when following the Plaza Accord in September, 1985, the yen appreciated by 100% and exports became relatively expensive. During the 1990s Japanese organizations greatly improved their productivity and moved to more sophisticated products that are less susceptible to price competition, but the country endured a major recession. The boom conditions of the previous years had encouraged massive over-investment and asset inflation. When the bubble burst it crippled banking with bad debt, much of it associated with an inflated property market, and depressed consumer spending led to spare capacity, especially in the car industry. Government attempts to reflate the economy proved in effectual and many Japanese companies transferred parts of their production overseas where labour is cheaper.

There may be systemic faults associated with Japanese business. For instance, some western commentary has asserted that there is too little emphasis on profits, not enough pressure from shareholders, and perhaps too much diversification (particularly in general electronics, with Toshiba and Hitachi). Corporate governance is particularly suspect, *"where a company's largest shareholders are usually friendly financial institutions and business partners, and the board of directors used to include dozens of executives,"* (Harney, 2001: 14).

If the Japanese are better managers then this could have been helped by educational policy. *"The big jump to industrialisation which was necessary to Japanese firms was carried out by engineers and managers at the factory level. They came from the newly created engineering programmes established by the government. Because these engineers were the only ones who were knowledgeable about modern production techniques and marketing, decision-making authority, rather than being centralised at the head office, retained with factory managers and continues to be highly decentralised even now. Putting together Nakagawa's (1996) account with other analyses of the most recent Japanese organizational developments (e.g. Aoki, 1990) one in fact identifies the emergence of significantly different paths of competences accumulation, nested in different structures of information processing, knowledge sharing and work control. These new structures, it is claimed by many, have the same potential for 'universal' diffusion as the earlier American model,"* Dosi & Malerba (1996: 19).

It is commonly thought that people in Japan fundamentally think more holistically than those in the West, who focus more on specifics and details. Matthews (2005) reports psychology research that suggests context is important for easterners while westerners, because they live in less constraining social worlds, stress independence. These ideas may predispose easterners to take more account of situational factors. Cultural differences *"pervade beliefs about how the world around us is put together. In a series of experiments at Keio University in Japan, researchers presented groups of Japanese and Americans with pyramid-shaped objects made from cork, whimsically called 'daxes'. They presented two trays: one with cork objects in*

different shapes, the other with pyramid shaped objectives made from other materials. When asked which tray contained more 'daxes', the Americans pointed to the objects with the pyramidal shape, regardless of the fact they were made of different materials. In contrast, the Japanese went for the tray with cork objects, regardless of their shape...analytic-minded Americans perceive a world full of different-shaped objects, while those from holistic-minded Japan perceive it in terms of related substances...where westerners see a road made of tarmac, the Japanese see tarmac in the form of a road...westerners have a deep-seated distaste for contradictions, while those raised in the east see them as valuable in understanding relations between objects or events," (*op cit.*).

Japanese organizations, especially Toyota, which replaced GM as the leading car maker in the world in 2009, remain very successful, in spite of the doubts expressed by many, including Porter (1996). Japanese practice has been used as exemplars of the resource-based view of strategy, especially to illustrate dynamic capabilities (Witcher & Chau, 2007), According to Prahalad & Hamel (1990) the Japanese were well placed to take advantage of technological convergence during the microelectronics and computer revolutions, unlike many western firms which had been strategically managed around competitive positions in end-product markets. *"The real sources of advantage are to be found in management's ability to consolidate corporate wide technologies and product skills into competences that empower individual businesses to adapt quickly to changing opportunities,"* (81).

JIT (see just-in-time management)

joined-up government (see public sector management)
This is *"a strategy which seeks to bring together not only government departments and agencies, but also a range of private and voluntary bodies, working across organizational boundaries,"* (Bogdanor, 2005: 1-2). It aims to address complex social problems, such as social exclusion and poverty, in a comprehensive, integrated way. While such problems have a long history, especially in relation to problems of coordination in government, the term 'joined-up government' seems to have come into common use in the late 1990s. Government in the UK has been largely based on departmentalism. The move towards 'new public sector management' and 'market state' thinking also seems at odds with joined-up government if they result in more specialised and fragmented administration.

joint ventures (see strategic alliances)

just-in-time management (JIT) (see lean production)
JIT is the management of production so that it responds to the needs of customers as and when the product or service is needed; in involves pulling all the components together, as and when they are needed in the production process. JIT is a pull delivery system, when the customer first lays down his specification, to pull what they want from the supplier. This involves the delivery, say, of subassemblies and components, to each stage of the production process, as and when they are needed. The idea had been tried early on to reduce waste and inventory at Toyota before the Second World War, but was only perfected much later. Inspired originally by Henry Ford's concern to minimise inventory by the 'float' or parts in transit, Ohno redesigned the Toyota workplace to allow workers who were manufacturing parts to

access several operations at once, to draw down parts as and when they were needed. Taking the idea of how shoppers pulled down products from supermarket shelves, Ohno introduced the kanban wall at Toyota's Nagoya plants in 1955, but the principles were not fully developed until the 1960s.

The flexibility it brought allowed the operation of the production line to be changed from a single line of uniform cars worked on in sequence, to one where cars were modified as and when orders came in.

"At Toyota in Japan, vehicles are custom ordered – no product is built until it is ordered by a customer. Every car on the assembly line at a Toyota factory in Japan is on its way to a specific customer. In the United States, Toyota has to operate somewhat differently because car buyers tend to make on-the-spot purchases, but the company still maintains a modified pull system in which vehicles are not built until dealers place specific orders for them. GM, on the other hand, has to offer deep discount incentives to prevent their inventory system from becoming entirely clogged. This is why Toyota's product turnaround in the United States averages about 30 days, while Ford and GM products turns turn over on average after 80 days or more, more than two And half times slower than Toyota's," (Magee, 2007: 37).

JIT brings a customer focus to production. It also removes the requirement for buffer stocks, held as an insurance against possible disruptions in supply. Thus employees have to get production working effectively and cannot rely on stocks, so when they are faced with problems they have search for and solve the underlying fundamental issues, so that these do not reoccur. *"As inventory acts as a buffer between the organization and the uncertainty of its external environment, it tends to disguise problems of reliability and quality in its operations. Surplus inventory hinders the solving of problems. For example, if you operate a low-inventory, just-in-time system, failures by suppliers or equipment can rapidly escalate into a crisis, forcing managers to focus their attention on the root problem. In a system buffered by inventory, however, problems can be shelved rather than solved. As they get worse the need to form inventory buffers becomes even greater,"* (New, 1999: 2). Thus, JIT requires discipline and management philosophies such as zero defects and good TQM, to identify and remove the hidden costs that high inventory levels act to disguise.

JIT can be extended through a supply chain, but this requires very close collaborative working between a customer organization and its primary suppliers, as well as a high degree of strategic consensus. Classically this requires a common language and way of working, such as TQM and QCDE objectives. The original JIT or kanban (a tag) system at Toyota did not rely on technological supports – the basic idea was to put labels in boxes when a part was needed, so that someone from a previous process could come along, collect these up and deliver the requested part. A retail-form of JIT involves EPOS (electric points of sale) terminals that capture consumer demand in real time and through EDI pass information immediately to a manufacturer to allow deliveries to be organised on a replenishment basis.

kanban (see just-in-time)
kaizen (see continuous improvement, management of change, TQM)

keiretsu (see Japanese management)

These are Japanese industrial groups that through long-term inter-organizational relationships facilitate preferential trading relationships between members (Miyashota & Russell, 1994). There are six major corporate financial groupings. While the groups provide some protection in the domestic market, the benefits for exporters are problematic, since members appear to have done less well than independent Japanese firms (Hundley & Jacobson, 1998). Nissan's involvement with investment and suppliers within its keiretsu may have contributed to its bad debts and high purchasing costs in the late 1990s: *"Nissan managers seemed content to continue to harvest the success of proven designs. They tended to put retained earnings into equity of other companies, often suppliers, and into real estate investments, as part of the Japanese business custom of keiretsu investing. Through these equity stakes in other companies, Ghosn's* [the present CEO] *predecessors (and Japanese business leaders in general) believed that loyalty and cooperation were fostered between members of the value chain within their keiretsu. By 1999, Nissan had tied up over $4bn in the stock shares of hundreds of different companies as part of this keiretsu philosophy. These investments, however, were not reflected in Nissan's purchasing costs, which remained between 20-25% higher than Renault's. These keiretsu investments would not have been so catastrophic if the Asian financial crisis had not resulted in a devaluation of the yen from 100 to 90 yen = one US $. As a result both Moody's and Standard & Poor's announced in February 1999, that if Nissan could not get any financial support from another automobile company, then each of them would lower Nissan's credit rating to 'junk' status from 'investment grade'."* (Millikin & Fu, 2003: 2).

Informal networking within a keiretsu is similar to the Chinese guanxi, where business relations depend as much upon interpersonal relationship networks as they do on formal structures (Xin, 1998).

key performance indicator (KPI) (see improvement targets)

A KPI is a strategically related incremental objective. It is a term used widely in performance measurement and management. It concerns those factors that can be taken as measures and/or monitors of progress towards achieving desired outcomes in key operational activities. They can represent measures for CSFs, where the CSFs describe the factors necessary to strategic success, and the KPIs are the targets that must be achieved to accomplish (or manage) the CSFs. The objectives of a balanced scorecard are sometimes explained as CSFs, and the measures as KPIs. However, for clarity is it is probably better to restrict KPIs to the implementation and execution part of strategic management, than confuse them with measures of longer-term strategic objectives and CSFs. So, for example, KPIs are relevant to mid-term and annual plans, and may be set strategically by a senior management to drive continuous improvement. The essential nature of strategically-linked KPIs is that they are diagnostic; senior managers only become directly involved in their management by exception (see diagnostic objectives).

The public sector since the mid-1980s saw an unprecedented interest by government in performance indicators. The introduction of computer technology for making general use of performance indicators has been an enabling factor. In the UK the first application may have been during the early 1970s when a system of target-linked

performance indicators was used for social security as part of MbO (Garrett, 1980). The effectiveness of government targets as a means to implement policy priorities is fraught with many difficulties. A major constraint is the interdependence of different units, services or activities within an organization. *"The NHS is characterised by a particularly complex set of working relationships, so that the throughput of patients in a hospital may be dependent on radiologists, anaesthetists and surgeons as well as the social workers responsible for finding somewhere for the patient to go...any credible system of performance indicators must resolve the complex conceptual problems of apportioning who owns performance if it is to prove a useful tool of managerial control,"* (Carter [1989] in McKevitt & Lawton, 1994: 212).

Targets may be set that are ill-understood for their dysfunctional implications for an organization concerned. They can work like tin-openers, opening up a can of worms that do not give answers but prompt interrogation (and strictures, even reductions in funding, from the top) and inquiry. From a TQM perspective the investigation of issues is necessary, but for it to work effectively senior managers must be understanding and avoid a blame culture. It might also prompt a much-resented unwanted degree of back seat driving on the part of government, but without any discernable payback in performance. KPIs are typically difficult for people to use and managers will disengage, when KPIS are sent from above that are ill defined and poorly targeted from the point of view of the manager, perhaps because a manager sees the target as irrelevant or does not understand it. There must be mechanisms in place that allow for and accommodate context and what this means for variation. So strategic alignment is more effectively achieved if attention is paid to the context within which KPIs are used and developed as operational targets, and to mechanisms that can support the selection of different KPIs rather than a uniform roll-out of KPIs based on the average context.

The Japanese prefer to use KPIs to influence how things are done. Linking KPIs to enabling processes to help people manage important areas makes feedback on the KPIs useful and, in the end, more instrumental. It should help avoid the following: *"In the UK, JDPower* [a consumers rating group] *has presented Alfa's* [Alfa Romeo is a premium car brand owned by Fiat Auto] *management with its assessment of what was wrong* [with the car's dealer network]. *Car delivery times, spare parts delivery, and repair capability emerged as problems. Alfa's 'key performance indicators' were being met, but they had been defined incorrectly. For example, spare parts were deemed in service logs to be available – when they were still at the factory in Italy. Actual delivery and car repairs were not logged at all,"* (*Financial Times,* January 6, 2007). On the other hand, it is difficult for a senior level to know context – take this view from a consultant*: "I don't believe in defining targets and indicators actually helps to improve performance. Much resource is wasted in defining, communicating, measuring and then reporting each month. It is far better to go down to the lowest level processes and measure sensible metrics. These might include amount produced, amount scrapped, wasted time, time to reset machine for another job. Look at these metrics, and ask the people who work on the process how to improvement things, after all they are the experts. Start improving things, measuring all the time with control charts/process behaviour charts. You should now be producing more quantity, or less cost, probably with less accidents too. So bottom line improvises, customer satisfaction increases, staff morale improves, staff turnover reduces. And the Board has been using the time they have saved on strategic*

thinking," (Farey, 2007). Hoshin kanri (policy management) is a possible solution since it takes into account both objectives and means.

KISS (keep it simple stupid)
An acronym to remind decision-makers that they should not over-complicate things. Jack Welch of GE was a believer in keeping strategy simple so that everyone could understand the purpose of the company and its overall goals. However, it is still necessary to understand how the organization works, its CSFs, and the reality facing the organization.

knowledge management (see learning, lean production)
"Knowledge is part of the hierarchy made up of data, information and knowledge. Data are raw facts. Information is data with context and perspective. Knowledge is information with guidance for action," (EFQM, 1999). *"To be information-literate, you begin with learning what it is you need to know. Too much talk focuses on the technology...To organise the way work is done, you have to begin with the specific job, then the information input, and finally the human relationships needed to get the job done...Now that knowledge is taking the place of capital as the driving force in organizations worldwide, it is all too easy to confuse data with knowledge and information technology with information,"* (Drucker, 1997: 12).

Knowledge management became a fashionable subject in the 1990s, see Nonaka & Takeuchi (1995), who argued: *"The key to knowledge creation lies in the mobilization and conversion of tacit knowledge,"* (56). Fujimoto (1999) in his examination of the Toyota Production System (TPS) observes it is not information systems *per se* that are actually important, but the many complex business and organizational relationships that are embedded with information. Thus information is difficult to disentangle from the character and experience of the people who use it. Fujimoto suggested tacit knowledge does not alone explain the whole story. *"In my view,* [work] *routines are difficult to identify when they exist in the form of a complex network of intangible elements that encompass the entire manufacturing area, even if each element is not tacit itself. Outside observers have tended to focus on the functionality of individual practices and subsystems, intangible factors in general, but they may be overlooking these broader and intangible flows of value-carrying information, which have to be consistently managed through the manufacturing process. Thus, the Toyota-style manufacturing system is neither a simple sum of individual techniques nor a mysterious whole,"* (16). Elsewhere Fujimoto (2000) suggested an internal evolutionary process is built into Toyota's organization, and this represents a firm-specific evolutionary capability.

Knowledge is increasingly available and increasingly specialised, but with IT developments it has become more widely available and instantaneous. Its new open-sourced nature through the Internet may be making information more community than individually based (in fact generally new models of knowledge production, access, distribution, funding, and ownership are emerging). An important issue is information overload and how to deal with it.

"Knowledge transfer is all about ties between people. All too often, firms assume that organizational knowledge can be managed by establishing databases of factual information that can be digitally stored and accessed by people throughout the

organization. There is no doubt that some knowledge can be reduced to a digitized form and easily transferred within an organization. However, complex knowledge with real strategic value must be managed and transferred through social networks, not computer networks," (Inkpen, 2005: 133). This is important in terms of corporate memory: comprised of the collective memory of employees, particularly of middle management. The loss of middle managers through BPR and downsizing has sometimes impaired collective memory and the (informal) networks that determined the priorities for knowledge management.

KPIs (see key performance indicators)
lagged & leading indicators (measures) (see balance)

leader (see leadership)
A leader is a person who by influencing others has an ability to take the organization forward to a common purpose.

leadership (see Icarus paradox, corporate governance, good-to-great companies)
The idea of 'leaders' applies to "*The people who co-ordinate and balance the interests of all who have a stake in the organization, including - the executive team, all other managers and those in team leadership positions or with a subject leadership role,*" (EFQM 1999). Leadership style and behaviour are key determinants of effective organizational management. Leaders are people, with the implication that their personal foibles and prejudices play a big part in their grasp of issues and their effectiveness in office.

In the view of Stephen Fry: "*Anyone who has lived and worked within a large organization, whether it be the BBC, the army, a school or a large hospital, will know that cream and scum alike rise to the top; that blundering, hopeless, blinkered, purblind and ignorant incompetence inform the actions and governance of such places at all times. That bitchery, cattery and rivalry frustrate co-operation, good fellowship and trust,*" (Fry, 1993: 37). The point is, leadership is rarely perfect. For example, consider this from television:

"*Sergeant Wilson's gentlemanly dissent in the TV comedy Dad's Army was silenced fairly smartly. 'Do you think that's wise, sir?' he would inquire. And Captain Mainwaring would snap back: 'Don't let's have any of that sort of talk, Wilson. There is a war on, you know.' We used to laugh at Mainwaring's attempts to hide the flaws in the latest plan and maintain a positive attitude. But the reality of this type of gung-ho leadership is not so funny,*" (Cameron, 2007).

"*An overbearing leader is frequently a prime trigger of corporate failure. Not because powerful personalities are anathema to success, but because strategic decisions become disproportionately risky when the decision-maker's eyes or ears are closed. 'It is important to distinguish between an autocrat and a dynamic leader,' says Mr Argenti. The autocrat is the company. He does not listen to others and he does not share authority. Signs of this might be the merging of the executive roles, the rise of passive directors and skewed skills at board level. As team input diminishes, the weaknesses of the individual at the top become the weaknesses of the entire company,*" (Luesby, 2002: 31).

Weber (1924) classifies types of leadership in relation to types of authority. These vary from a commanding leadership, where people must have obedience to orders, to an inspiring or dictatorial type. Chester Barnard (1938) sees organizations fundamentally as co-operative groups of individuals, where the executive's primary job was to facilitate co-operation. He insists authority should not be imposed: *"the decision as to whether an order has authority or not lies with the persons to whom it is addressed, and does not reside in 'persons of authority' or those who issue the orders,"* (163).

Leadership is sometimes associated with visionary and a personalised form of management control that conditions corporate culture. Henry Ford had a clear idea about his vision for his car company. In 1907, two years after the Ford Motor Company was incorporated, he wrote in the company prospectus: *"It* [Ford's car] *will be large enough for the family, but small enough for the individual to run and take care of. It will be constructed of the best material, by the investment in the best people to be hired, after the simplest designs that modern engineering can devise. But it will be so low in price that no one man making a good salary will be unable to own one."* It would be a few years more, before this vision produced the Model-T car, and the modern mass production assembly line that made it possible (see Fordism).

An example of this form of leadership is Richard Branson; who embodies an unconventionality image that has coloured the Virgin Group's corporate strategy. Gordon McCallum, Virgin's Group Strategy Director (around 2000) said that there was no assumption about what business Virgin should be in and that when it enters an industry it will challenge existing rules, give customers a better break, be entertaining and put a thumb in the eye of complacent incumbents. The culture is one of 'why not' rather than 'why' – an essence that Branson himself seems to personify. For example, Virgin competed very differently to EMI: *"Virgin's studios were more than twice as profitable as those of EMI's, and the reason was not hard to see. At EMI, there was an elaborate system of incentives, with managers setting targets and receiving salaries at the end of the year that reflected how well they had performed against these. At Virgin there was no formal system at all. Yet Virgin was managed more aggressively, and with more concern for the pennies, while at EMI the managers had simply set themselves targets that were low enough to be easily beaten,"* (Jackson, 1995: 298).

However, Branson's management style may have given its senior executives (for instance, Nik Powell, Dan Cruickshank, and Trevor Abbot) problems. *"Each of these three men in turn have tried to derive a strategy to account in public for the essentially spontaneous decisions that Branson himself makes. Powell had grand ideas about vertical integration, believing that Virgin would make money from all the different activities involved in the production of music and film; but that notion was damaged fatally by the group's withdrawal from film production. Cruickshank preferred to cast Virgin as a music conglomerate whose core was the record company, but Branson had no compunction in selling it. Abbot has picked out Virgin's long-term cooperative ventures with other companies (notably in retailing and in the company's video game business, but also in the airline itself) as the core of its vision,"* (Jackson, 1995: 14-15).

However, visionary leadership is often questioned. Stephen Cooper, who oversaw Enron's restructuring, commenting on corporate failures generally, observes that *"the adulation of visionary chief executives has played a particularly damaging role...*[in] *Tyco, WorldCom, Global Crossing and Vivendi, as well as Enron...boards of directors began to disconnect pay from performance...because these people were viewed as demigods and irreplaceable,"* (Maitland, 2003a). This form of leadership may encourage short-term, individually-based goal setting, rather than teamwork based on consensus. In fact, leaders may naturally want to act on their own predispositions rather than by reflection and careful consideration. Neville Chamberlain, quoted in Jenkins (2001) neatly summarises Churchill's qualities as a leader: *"You never get a moment's rest* [as a colleague] *and you never know at what point he'll break out...In the consideration of affairs his decisions are never founded on exact knowledge, nor on careful prolonged considerations of pros and cons. He seeks instinctively for the large and preferably the novel idea such as is practicable or impractical, good or bad, provided he can see himself recommending it plausibly and successfully to an enthusiastic audience, it commends itself to him,"* (416).

Senge (1990ab) advocates a dispersed leadership for the learning organization where progress is achieved through small and steady changes. The word, 'leader' in Senge's view is not a synonym for 'top management', but is a more complex concept that applies to anybody in an organization who is able to exhibit leadership, and therefore concerns the diverse roles of leaders at many levels (Senge, 2006: 319). New roles are required for leadership: designer, teacher and steward, as well as new skills, such as the abilities to build shared visions, surfacing and testing mental models, and systems thinking.

In his book, *Leadership,* the ex-mayor of New York, Rudolph Giuliani, stressed mastering detail. He argued for management systems such as CompStat, which are able to report patterns quickly enough to predict what will happen in key areas, and which involves continuous reviews of and presentations on performance by managers at the senior level. The idea is not so that leaders can do everyone else's job, but that every senior manager can understand what everyone else's job is, to learn from everyone's experience, and to hold managers to account for the work they do. Crime was dramatically reduced; this, and other improvements in city administration, made his tenure one of the most successful ever for New York. The detail of small stuff, according to Giuliani, is important: *"...'Sweat the small stuff' is the essence of the Broken Windows Theory,"* (2002: 47): see 'broken windows theory' and 'CompStat'.

Collins (2001) suggested a successful CEO is self-effacing - they do not try to manage change or motivate people, but put a stress on understanding purpose, and build up a disciplined culture that sustains results over time. Vera & Crossan (2004) argued that strategic leadership is important for organizational learning: they cited Bennis & Naus (1985), as locating organizational learning *"squarely in the camp of leadership...in order to be able to respond to tomorrow's challenges and opportunities, strategic leaders must initiate a process that enhances day-to-day learning,"* (226).

Bass (1985) made a distinction between transformational and transactional styles of leadership: *"Transactional leadership motivates individuals primarily through contingent-reward exchanges and active management-by-exception, Avolio et al.*

(1999). Transactional leaders set goals, articulate explicit agreements regarding what the leader expects from the organizational members and how they will be rewarded for their efforts and commitment, and provide constructive feedback to everybody on task...Operating within an existing system, transactional leaders seek to strengthen an organization's culture, strategy and structure...Transformational leadership, in contrast, is charismatic, inspirational, intellectually stimulating, and individually considerate (Avolio et al. 1999). These leaders help individuals transcend their self-interest for the sake of the larger vision of the firm. They inspire others with their vision, create excitement through enthusiasm, and puncture time-worn assumptions through their resolve to reframe the future, question the tried-and-true, and have everybody do the same (Bass & Avolio, 1990)," (Vera & Crossan, 2004: 224). Bass dedicated his book to James McGregor Burns (1978), a writer on political leadership, who was influential for emphasising the importance of leaders as collaborators who work to achieve mutual benefits; Burns argued transformational leadership occurs when leaders and followers raise each other to higher levels of motivation and morality - people are lifted into their better selves.

Jeffrey Pfeffer (1977, 1978) suggested, from the perspective of organizational behaviour, that leadership is irrelevant to most organizational outcomes, suggesting that factors outside the leader's control are too powerful. Many factors that influence performance are systemic rather than determined by the behaviour of individuals.

Leadership and management may be different things. This was suggested by Zaleznik (1977), when he argued that scientific management downplayed inspiration, vision, and other motivating qualities. Kotter (1990), argued in a similar way, but stressed that leadership and management were complementary and need each other. He argued that management is about planning, organising, controlling and problem solving, but that leadership requires vision and the ability to motivate and inspire people to keep moving in the right direction. For example, broad-based strategic thinkers, who are willing to take risks, exhibit leadership qualities. This is not an issue for long range planning and control, but it is about satisfying basic human needs, a sense of belonging, recognition, self-esteem, a feeling of control over one's life, and an ability to live up to one's ideals. Leaders articulate the organization's vision in ways that stress the values of the organization's people, they involve them in deciding how to achieve the vision to give them a sense of control; support employee efforts to realise the vision by providing feedback, coaching and role modelling, to help people grow professionally and enhance their self-esteem; recognise and reward success, not only to give a sense of achievement, but recognise that the organization cares about them. If these things are done, Kotter (1996) argued that work itself becomes intrinsically motivating. Organizations should develop leaders; young employees should be given challenging opportunities by increasing decentralisation, and organizational cultures developed to institutionalise a leadership-centred culture.

Leadership is often associated with strategy, while management is associated with lower levels of working, especially operations. This idea is often reflected in government, when things go wrong: John Reid, when he became UK Home Secretary, after a crisis of failure in monitoring foreign prisoners and granting them asylum, declared: *"...'Our system is not fit for purpose. It is inadequate in terms of its scope, it is inadequate in terms of its information technology, leadership, management, systems and processes'...he said, he did not consider the Home Office*

to be irredeemably dysfunctional. It could be managed properly, but it was not his task to do so. While he would provide leadership, strategy and direction, he made it clear that he expected the officials to run it properly," (reported in Johnston, 2006).

Stefan Stern, an FT columnist, caricatures "*conventional wisdom…God, management is boring, isn't it? All that checking up on people, making sure that things are happening. No imagination, managers. That's why they stick to their banal little routines of progress-chasing and box-ticking. Leadership. That's what we need. You can tell it's more important just by saying the word out loud (go on, try it). Great leaders will save us. Leadership will help us break through to the promised land,"* (Stern, 2008a).

The appearance of leadership can be important. The political philosopher, Niccolo Machiavelli, writing in the early sixteenth century, noted: "*men in general judge by their eyes rather than by their hands; because everyone is in a position to watch, few are in a position to come in close touch with you. Everyone sees what you appear to be, few experience what you really are,"* (1988: 165). So, the representation of what leaders are doing in an organization, such as through strategic plans, reports, purpose statements, public relations, etc. can be as important as the action itself.

lean production (see value, value stream analysis, just-in-time)
Lean production is a system for ensuring that wastage (or any non-value contributing activity) is eliminated in the production/management process. It is associated with the foundation of the Toyota Motor Company in the 1930s by Toyoda Kiichiro, *"the father of Japanese car manufacturing"*, and which his successors (see Shingo, 1981) at Toyota later developed into the Toyota Production System (TPS) (Ohno, 1988). The *"key features of the fully developed lean production system…came to exist in Japan by the 1960s, at a point long before the rest of the world took note"* (Womack *et al.* 1990: 19): see also Womack & Jones (1996), Fujimoto (1999), and Monden (1998). The central principle is to understand 'value' to the customer, and then to work systematically to avoid and eliminate any non-value adding work. An associated Japanese term is 'muda' – this is any activity that absorbs resources, but which creates no value, either in terms of competitive advantage or in the eyes of the customer. For instance, *"The bottom line at Toyota: If a process or an activity does not add value, get rid of it,"* (Magee, 2007: 60). Thus, lean working is not about eliminating 'waste' as such, but the sources of muda. Lillrank (1995) described lean production as a new paradigm of competition that includes low cost and high quality manufacturing, and which offers a wide variety of models and functions that are continuously improved through rapid product development cycles.

Porter *et al.* (2000: 70-72) following Womack *et al.* (1996) summarised its associated components as an internally consistent system:
- TQC (see TQM)
- Continuous improvement (see management of change)
- JIT
- Design for manufacturability (engineers work on the assembly floor)(see process)
- Close supplier relationships (see supply chain management)
- Flexible manufacturing (see process organization)
- Rapid cycle time (fast change around in product runs, parallel life cycles)

Toyota defines its TPS more narrowly. Womack & Jones (1996) emphasized the need to specify value from the customer's perspective to identify the steps which comprise the value stream. JIT works to ensure that the flow of work is pulled forward by the customer and that value is enhanced and waste removed by continuous improvement. Lean working will improve asset productivity through cost reduction and asset intensity where the aim typically is to expand volumes without a use of extra resources or assets. Agile (Kidd, 1994), flexible specialisation (Piore & Sabel, 1984), mass customisation (Pine, 1993) are related ideas, where working is designed to produce product or service variety quickly as demand constantly changes. In a costly production business such as cars, lean working facilitates rapid model changeovers in days rather than weeks. Many lean practices involve relatively smaller plant units, which limit the opportunities for economies of scale; this means that lean working has to place a special emphasis on cost reduction and high levels of productivity. Ford aims to have three-quarters of its plants flexible by 2010 (Mackintosh, 2003). Research published by the Engineering Employers' Federation has suggested a productivity gap between the USA and UK of 25-45% is a result of the slow take-up in the UK of lean manufacturing techniques (Brown, 2001).

Another associated term is 'cell-based manufacturing'. This is when products are made in small lots by small groups (cells) of people, rather than by a string of people lined up as specialised stages in a production line. The aim is to control the volume of production, matching it to changes in demand quickly and cutting delivery times, without a need to build reserve stocks. Sony, which claims to have invented cell-based manufacturing, makes 200-300 models of camcorder and has recently transferred some of this production back from China to Japan to build up a more flexible approach (Nakamoto, 2003a). These approaches require sophisticated management, especially where advanced forms of TQM are required, and thus it works to some extent against a tendency for companies to relocate to developing economies for cost reasons (see commoditisation).

The factory floor is being seen as a place where knowledge can be created as well as applied, where production workers think as well as do. Kenny & Florida (1993) have conceptualised the approach of successful Japanese companies as one of innovation-mediated production and argued there are five dimensions to the Japanese model: a transition from physical skill and manual labour to intellectual capabilities or mental labour, increased importance of social and collective intelligence as opposed to individual knowledge of skill, an acceleration of the pace of technological change, increasing importance of continuous process improvement on the factory floor, and the blurring of lines between R&D laboratory and plant. *"The identification of these features in the Japanese manufacturing sector has led to discussion of the 'learning factory' or what Fruin (1997) terms a 'knowledge works'. The UK cannot expect to replicate the high-value-added activities of Japan's learning factories unless its education and training provision bears comparison with those in Japan. There, the training and skills progression of workers and supervisors are much more extensive,"* (Delbridge *et al,* 1998: 239).

While associated with manufacturing, some of the ideas come from services, including JIT, which came from supermarkets, and Swank (2003) taking her starting-point from Womack *et al.* (1990) argued for a comparable 'lean service machine'.

However, 'lean' can be taken wrongly to mean cutting things back to the merest of necessities: an exercise in reductionism, de-skilling, and cost-cutting downsizing, perhaps removing valuable middle management. Lean working needs to be understood carefully by senior managers; also it should not be used in ways that reduce flexibility, especially in an unpredictable environment: for example, where members of the public ask complex questions related to the problems they have, and where the solutions require an imaginative interpretation of rules and guidelines. There is also the issue of dependency between all the parts of a system: these must be learned and understood, for if one part fails then the rest might do so as well. Many firms compromise, especially where there are production and service variations outside of the control of the organization; then it becomes a compromise between JIT and just-in-case.

A distinction is sometimes made between 'lean' and 'agile', which means the firm and the supply chain can respond rapidly to unpredictable changes in demand, unlike lean, which may have no surplus capacity. Lean is then more appropriate to high volume, low variety and predictable environments, while agility is necessary when the demand for variety is wide and the environment unpredictable.

John Seddon applies lean to (especially public) services. *"Service differs from manufacturing. Aside from the obvious lack of physical plant and goods, in services the customer is involved in production; the service agent is involved too. There is, inherently, much more variety of demand. So instead of thinking of the system as one that pulls physical things together to manufacture at the rate of customer demand (the essence of the Toyota system), you have to think of the system as one that brings (largely) intangible expertise together in response to the variety of customer demands. This different purpose leads to different methods, because there are different problems to solve. Solving these problems teaches how to design services from which customers can 'pull' value – in other words, get what they want,"* (2008: 68). Seddon argues against functionally-based organizing, especially the concept of front and back offices, where the easily dealt with enquiries are covered by first contact at the front-end, and more complex and difficult ones are passed on to experts. He argues this approach is based on minimising costs to the provider, and only causes delays and frustrations to the customer, and lowers value; because it causes customers to make more enquiries and complaints, it locks costs into the system. A system designed around one office, on the other hand, would build up operator expertise and make the service more responsive and able to cope with a variety of enquiries.

learning (see benchmarking, exploitative & explorative learning)
"The acquiring and understanding of information which may lead to improvement or change. Examples of organizational learning activities include benchmarking, internally and externally led assessment and/or audits, and best practice studies. Examples of individual learning include training and professional qualifications," (EFQM, 1999). Learning is also a key aspect of strategic planning and associated management development. So Lorange (1980) observes: *"The learning and self-improvement aspect of planning underscores the important role of performance monitoring and management motivation within the context of planning. We are dealing with an integrated, closed-loop process; strategic direction is initially set out through the plans and is being updated and improved through subsequent monitoring*

and control. The managers involved must of course feel that they have sufficient personal incentives to act in a way which actually facilitates the carrying out of corrective actions and learning...planning may seem a vehicle for facilitating normalisation of strategic management tasks within a firm...[To achieve strategic learning, incentives must be provided to give managers a motivation to learn, and] *a common shared frame of reference to shared understanding of the firm's strategic directions might be essential,"* (8-9).

Ackoff (1971) conceptualises two kinds of learning systems: homeostatic feedback systems, which seek to maintain their state in changing circumstances by internal adjustment, and adaptive systems that change their structures as environment change. The former is more closed while the latter more open. Argyris & Schon (1981) distinguish three different kinds of organizational learning.

- Single loop learning: This is when organizational members respond to changes in the internal and external environment by detecting errors, which they correct to maintain the central feature of the organizational theory-in-use. There is a single feedback loop, which connects to organizational strategies and assumptions so that they can be modified to keep performance within the range set by organizational norms.
- Double loop learning: This is when a double feedback loop connects the detection of errors not only to strategies and assumptions, but to the questioning of the norms that define effective performance.
- Deutero learning: This is where an organization learns how to learn - an essential prerequisite for organizational adaptation.

"Any process of control involves a process of learning. However, single loop learning, as defined by Argyris & Schon, primarily place tasks in the domain of what we have labelled tactical control. Double loop and deutero learning - learning where the basic assumptions and norms are themselves made open to questions and change – is the principal objective of strategic control. The basic point is that in tactical control, the focal question is whether the organization is achieving its objectives. In strategic control, the correctness of the objectives themselves is subjected to questioning," (Lorange et al. 1986: 29). Argyris (1977: 19) argued it is dangerous to leave underlying assumptions hidden; their accuracy should be thought about in the light of the conditions of the day or otherwise decision makers are condemned to be prisoners of their own theories.

Effective learning requires accurate and immediate feedback about the relation between an existing situation and the appropriate response. There are four limiting factors: (1) outcomes are delayed and are not easily attributable to a particular action, (2) variability in the environment degrades the reliability of feedback, (3) often no information about the outcome if another action had been taken, (4) important decisions are often unique (Tversky & Kahneman, 1990; reported in Cole, 1998: 47). The 'learning organization' is associated with Senge (1990a, 1990b), where he stressed the facilitating role of managers as a new kind of leadership. Senge argued for a total system's view for learning, he called this generative learning and contrasted it to adaptive learning. The former is about understanding the fundamental causes and seeing opportunities, whereas the latter is about the symptoms and does

not do anything about the basic issues. The main task of the strategist is to facilitate organizational learning.

Nonaka & Takeuchi (1995), proponents of knowledge management, argued learning is a spiral process of interaction between explicit knowledge (that can be articulated in formal language) and tacit knowledge (hard to articulate) which generates organizational knowledge. It is necessary to encourage people to interact and work together to share the tacit skills they have gained from different experience and career paths. This seems to happen in Japanese organization, and approaches such as TQM, can provide a common language and (quality) tools for the management of change, problem solving, and for reaching agreement through activities like catchball.

learning & competences (resource-based view, dynamic capability, Icarus paradox) Learning is a key competence in terms of its importance as a strategic resource and capability; as such it may produce rigidities (stickiness) or lock-ins at times of major external change. *"Learning is at the base of the accumulation of competences by firms and is a costly and multidimensional process (Malerba, 1992) related to problem solving (Dosi & Egidi, 1991). In particular, learning relates to activities aimed at the solution of the specific problems based on specific cognitive structures entailing (imperfect) problem representations and 'models of the world'. Learning is local, being highly affected by the cognitive frames and actual competences of firms, and is cumulative in that it builds on what has been already learned. Locality and cumulativeness mean that firms may be locked in specific trajectories of advancements, which may not be the notionally optimal ones and may prove highly inflexible and potentially inefficient (Arthur, 1989). Learning takes place in organizations able to integrate, store and modify information and knowledge coming from various sources and aimed at different tasks and objectives. The representation of the innovative process by Kline and Rosenberg (1986) is a good example of the complex interdependencies and feedbacks between the various stages of the innovation process (analytic design, redesign, testing, production, marketing, distribution) and between scientific and technological knowledge.*

"In the corporation, routines, learning and competences are nested in a complex and hierarchical way. As Nelson (1991) puts it, 'forms can be understood in terms of a hierarchy of practiced organizational routines, which define lower order organizational skills, and how these are coordinated, and higher order decision procedures for choosing what is to be done at lower levels'. This view is also well in tune with those organizational theories (Simon, 1962) which consider organizations as hierarchically nested processes which interact at various organizational levels... Multiple cognitive frames, routinised behaviour and mistake-ridden search always imply a competence gap...vis-à-vis the notional opportunities offered by any one environment. Moreover, 'framed' understanding of the environment and of other people's actions tends to amplify systematic departures from the canonic prescriptions of 'rational; decision making...organizations amplify, rather than dampen, individual decision biases...Accountability negatively affects the quality of decision-making when a subordinate knows the views of the superiors in a hierarchical setting...in addition to bolstering poor past decisions, subjects are most liable to escalate their commitments to a failing policy when they feel most vulnerable (such as in situations of low job security and of an unreceptive board)...

"Schoemaker & Marais (1996) claim is that internal forces related to rules, procedures, structures and efficiency principles inherited from the history of the

entropies may foster inertia by emphasising commitments to existing technologies and over-evaluation of present performance, therefore suppressing creativity, flexibility, informality and experimentation...[the local and cumulative nature of organizational learning] *is likely to entail an intrinsic tension between 'exploration' and 'exploitation' (March, 1991) and between 'learning' and 'adaptation' (Levinthal, 1996),"* (Dosi & Malerba, 1996: 4-6).

"[Learning] *within the context of a highly interactive system is likely to lead to fragility, or a lack of robustness. A perturbation in one attribute may change the fitness contribution of a number of other elements of the organization. In such a setting, the local rationality of simple adaptive learning mechanisms does not provide great confidence in the achievement of more globally rational outcomes. Furthermore, such tightly coupled systems may exhibit tremendous fragility in the face of relatively modest perturbations in their environment,"* (Levinthal, 1996: 28).

Abernathy & Wayne (1974) describe Ford's obsessive pursuit of efficient production of the Model T. The company was able to drive down its costs, but the transition to a new model was difficult and required shutting down the manufacturing facility for over a year. However, prior related knowledge confers an ability to recognise the value of new information, assimilate it, and apply it to commercial ends – these things constitute a firm's 'absorptive capacity', helped by R&D (Cohen & Levinthal (1990).

learning curve (see experience curve)
learning factory (see lean production)
learning organization (see learning)
learning school of strategy (see emergent school)
levels of strategy (see strategy)
leverage (see priorities)

leverage buyouts (see private equity firms)
This is when a group of private investors buys a publicly quoted company in order to take the
company private.

levers of control (see strategic control)
Levers of Control is a book about organization-wide systems of strategic control, written by Robert Simons (1995b: he summarised his ideas in Simons, 1995a): the levers are a *"comprehensive theory illustrating how managers control strategy using four basic levers: beliefs systems, boundary systems, diagnostic control systems, and interactive control systems...they work simultaneously but for different purposes...*[Simons' focus was] *primarily on the informational aspects of management control systems...management control systems are the formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities...Senior managers use information for various purposes: to signal the domain in which subordinates should search for opportunities, to communicate plans and goals, to monitor the achievement of plans and goals, and to keep informed and inform others of emerging developments. These information-based activities become control systems when they are used to maintain or alter* patterns *in organizational activities. Desirable patterns include not only goal-oriented activities – ensuring that new stores open on schedule – but also*

patterns of unanticipated innovation – discovering that branch employee's experiments with the layout of a store have double expected sales figures. Employees can surprise, and management control system must accommodate intended strategies as well as strategies that emerge from local experimentation and independent employee initiatives. Finally, I am concerned with the control systems used by managers, not the host of control systems used lower in the organization to co-ordinate and regulate operating activities (for example, quality control procedures for repetitive operations)...Business strategy – how a firm competes and positions itself vis-à-vis its competitors – is at the core of the analysis...four key constructs that must be analysed and understood for the successful implementation of strategy: core values, risks to be avoided, critical performance variables, and strategic uncertainties. Each construct is controlled by a different system, or lever, the use of which has different implications. These levers are (1) beliefs systems, used to inspire and direct the search for new opportunities; (2) boundary systems, used to set limits on opportunity-seeking behaviour; (3) diagnostic control systems, used to motivate, monitor, and reward achievement of specified goals, and (4) interactive control systems, used to stimulate organizational learning and the emergence of new ideas and strategies," (1995b: 4-7).

Simons noted that beliefs, along with interactive systems, are positive and inspirational forces. He called these the yang of effective strategy implementation, representing the sun, warmth and light. The yin side, representing darkness and cold, is provided by the other two levers - boundary and diagnostic control systems; these create constraints and ensure compliance with orders. These positive and negative forces are opposing principles, which, Simons suggested, divides creative energy but whose fusion creates the world as we know it. Maybe this mysticism and his concern to accommodate an emergent view of strategy reflect the fact that his doctoral supervisor was Henry Mintzberg. Simons seems to have asserted that strategic planning is a diagnostic control tool, arguing that new initiatives come from interactive control systems.

Simons' four levers of control are beliefs, boundary, diagnostic, and interactive. *"A beliefs system is the explicit set of organizational definitions that senior managers communicate formally and reinforce systematically to provide basic values, purpose, and direction of the organizations...These core values are linked to the business strategy of the firm,"* (1995b: 34). Simons (1990) had omitted beliefs systems when he had suggested that managers tend to focus on only one lever at any one time. His charge of mind probably has much to do with contemporary discussion in the practitioners' literature that placed a stress on leadership (he refers to Kotter) and the importance to it of vision and values.

A boundary system is a set of rules and sanctions that restrict search. The most basic are those *"standards encompassed in these codes have three sources: (1) society's laws, (2) the organization's beliefs systems, (3) codes of behaviour promulgated by industry and professional associations (Gatewood & Carroll, 1991),"* (42). This system clarifies those risks that the organization ought to avoid.

"Diagnostic control systems are the formal information systems that managers use to monitor organizational outcomes and correct deviations from pre-set standards of performance," (Simons, 1995b: 59). Simons wrote that they *"are designed to trigger the adjustment of the targets embedded in plans and programmes required for the implementation of intended strategies. Argyris & Schon have termed*

this single-loop learning," (68-69). This is a narrow interpretation of diagnostic systems. Simons used the Kaplan & Norton (1992) version of the balanced scorecard as an example of a diagnostic system, although Kaplan & Norton (1996b), emphasized (after 1996) double-loop learning as a key ingredient of the scorecard strategic management system; they argued that diagnostic measures should not be included in a corporate scorecard. Mooraj *et al.* (1999) suggested the scorecard can assist all four levers. Simons (1995b) stated that diagnostic control systems *"attempt to measure output variables that represent important performance dimensions of a given strategy. I shall call these...critical performance variables,"* (63); these systems *"provide assurance that the machinery of the organization is functioning and that intended goals and strategies are achieved without constant monitoring and oversight,"* (90).

"Interactive control systems are formal information systems managers use to involve themselves regularly and personally in the decision activities of subordinates," (Simons, 1995b: 97). Learning and experimentation are the primary reasons for this control system, which involve searching for strategic uncertainties and the clarification of basic assumptions and emerging strategy. This activity provides the agendas for wider debate and information gathering from outside the routine channels. Many kinds of interactive control system are used, but the key aspect is the personal involvement of senior managers to establish new programmes and milestones, participate in monthly reviews of progress and action plans. Thus other levels and business areas are involved in face-to-face meetings and recurring agendas. *"Senior managers without a strategic vision (or urgency to create a strategic vision) do not use control systems interactively...a lack of vision represents a lack of strategic leadership,"* (117). Project management is an important vehicle for developing innovatory programmes. The Simons (1995) representation is a departure from narrower views of (especially accounting-based) control.

life cycle analysis (see product life cycle)
line & staff managers (see management)

linkage models
These are systems, models (typically computer-based) that align lower level objectives and measures, to high level strategic objectives and measures, and/or are used to communicate high level objectives and measures to other levels. These include approaches that model decisions, actions and activities of an organization or system, such as Structured Analysis and Design Methodology. Another approach is Integrated Definition, which is a group of modelling methods that can be used to describe organizational operations. This was created by the United States Air Force originally for a manufacturing environment, but IDEF methods have been adapted for wider use and for software development in general. The main concern is to use modelling and computer-based systems to map out procedures, so that a route down from high-level objectives is clear to those who must implement sub-objectives. It also provides a way for top level management to see how high level objectives will perform. A similar notion is the idea of a logical model. The purpose if this is to communicate the underlying theory or set of assumptions or hypotheses that proponents have about why a programme will work, or why it is a good solution to an identified problem. (Schmitz & Parsons, 2004).

local strategies (see global-level strategy)

logical incrementalism (see incrementalism)
logic models (see linkage models)

long range planning (see strategic planning)
Ansoff & McDonnell (1990) described long-range planning as a *"systematic procedure for long-term goal-setting, programming and budgeting based on an extrapolative forecast... In long-range planning the future is expected to be predictable through extrapolation of the historical growth* [of the organization]...*senior management typically assumes that future performance can and should be better than the past, and it negotiates appropriately higher goals with lower level management,"* (13), and they assert that the *"process typically produces optimistic goals which are not fully met in reality"* (14). Ricardo Semler, CEO of Semco, a Brazilian company, asked *"Have you ever seen a five-year plan that says we're going to get worse?"* (reported in Seddon, 2008: 161).

However, taking a long view is critical for those technologies that have long lead times before they can be expected to generate profits. For example, at General Electric, *"corporate investments in the commercialisation of Lexan, a polymer plastic, began in 1954, pilot plants were developed in 1957, and the product was not profitable until 1965: the long range planning activities at Divisional and Corporate levels were critical to maintaining corporate funding and support for this project,"* (Ocasio & Joseph, 2008: 256: example taken from Pascale, 1990).

long tail (see Internet)

longer/short-term strategy (see efficiency & effectiveness, balance)
Longer-term purpose, objectives and strategy, are crucial in that once these decisions are made it is difficult to reverse them. *"Deciding, under significant uncertainty about future states of the world, which long-term paths to commit to and when to change paths is the central strategic problem confronting the firm,"* (Teece *et el.* 2000: 338). Many observers believe a firm evolves and may become locked into its competences. It is the role of strategic management to bring intentionality to bear and influence the course of the firm. An understanding of the difference between longer and the short term is important since it is through the latter than the former is achieved.

The formulation (and formation) of corporate strategy is typically a longer-term issue and should not be confused with its implementation as daily management. The former tends to be stable over time, whereas the latter must be adaptive, but still be consistent with longer-term strategy. Classically, authors have made a distinction between longer-term strategic planning, and short-term management control and operations. Anthony's (1965) distinction between strategic planning and management control is one between longer-term strategic management on the one hand, and medium to short-term strategy implementation and execution, on the other. Kaplan & Norton more recently argued the management of strategy through the balanced scorecard primarily concerns an <u>understanding</u> of longer-term strategy. They maintain this is important for aligning other (the shorter-term) management control systems, such as annual budgets and linking rewards and pay, to objectives.

The differentiation between long and short-term plans, according to Ford & Evans (2000), receives little attention in the strategic management literature, although it is important to the concept of translating strategic goals into doable pieces. Hrebeniak & Joyce (1984) made a distinction between the adaptation horizon, a time when a strategic opportunity or threat persists, and the implementation horizon, a shorter-term planner's perception of the adaptation horizon. In terms of objectives Ansoff pointed out that the longer the time horizon, then the greater ignorance and the more doubtful the validity of a long-term objective (i.e. its accuracy, whether it can be achieved, and the difficulty of setting a meaningful longer-term measure); thus the importance Ansoff gives to a resource profile (an early move towards a resource-based view of strategy). An important problem is how to specify the interdependencies of resources, especially to understand the cause-and-effect linkages between long and short elements of strategy. At least one scholar argued that objectives should be specified as a *"loosely-related group of objectives"* (Loasby, 1976: 120). The balanced scorecard can be a powerful reference framework for objective representation, but the strategy map should, perhaps, be appreciated as a strategy paradigm, where the cause-and-effect hypotheses are suggestive, rather than operationally determined. The scorecard link between longer-term objectives and their short-term actioned cousins is a reference one only, rather than one that translates exactly into operational detail.

A related issue in the strategy literature is time assumptions (Mosakowski & Earley, 2000): for example, the Gersick (1988) study of how group members' perceptions of time and deadlines, indicates that different perceptions of time trigger progress. There is the question of how organizational processes, for instance, at different levels of hierarchy, influence perceptions. *"In proposing distinct and sometimes complementary definitions of strategy, Mintzberg (1987a) considers strategy as a firm's past pattern of organizational actions, as a firm's current position, and as a plan for the future,"* (Mosakowski & Earley *op cit.* : 805).

A characteristic running through much of the strategy literature is a tendency for scholars to separate things 'strategic' and things 'diagnostic' or 'operational' (see diagnostic objectives, operational effectiveness), and in knowledge management to make a distinction between explorative and exploitative learning (important to dynamic capabilities), and in management of change between innovation and incremental change. Another distinction is made between efficiency and effectiveness. In this there is a presumption that big change and effectiveness are longer-term and therefore strategic, whereas efficiency, diagnostic activity and incremental change, are short-term, and therefore operational.

In many ways, time is a function of what a firm must do to balance the needs of the future with those of the present (see balance). Carlos Ghosn, Nissan CEO argued that *"As a strategist, a CEO must continually make judgements about the company's optimal field of activity. If he's too restrained, the enterprise will gradually be drained of energy and grow rigid, to the discouragement of talented, ambitious employees who dream of expansion and conquests. If he's too expansive, he risks blurring the lines of command, diffusing concentration, and exhausting resources. A CEO also has to be an architect of time. He must choose between long-term management – knowing that it takes two or three years, for example, to develop a new*

automobile model, which then goes on the market only after another five years or more – and the dictates of the short-term markets," (Ghosn & Reis, 2003: 182).

In economics, Alfred Marshal (1890), made a distinction between the short and long period. This boils down to the former, a temporal condition where a firm may take decisions, and the latter one which requires change in the assumptions upon which those decisions are made.

longevity (see stability)
"Most industry leaders enjoy only a brief tenure at the top – of the biggest 100 American companies in 1917, sixty-one had ceased to exist by 1987 and only 18 of the remainder were still in the top 100. A third of the firms in the Fortune 500 in 1970 had disappeared entirely by 1983. Of the top 100 British companies in the FTSE index in 1984, seventy-seven had dropped out twenty years later. Few large organizations last as long as forty years. According to some calculations the average lifespan of a business is seven," (Levis, 2009: 269).

However, many of the companies that have been household names for the past century are still going today in their original industries. Siemens and General Electric were founded in Germany in 1847 and in the US in 1878 respectively.

The great European survivor of the last quarter of a century is Philips, a 116 year old Dutch electronics multi-national. Marsh & Bickerton (2005) argued Philips still has to knit its operations into a rational business which is able to achieve a steady performance across all its divisions. The company has five business groups: semiconductors, consumer electronics, medical equipment, lighting, and small electronic appliances (including shavers). Two views of Philips are (from a City analyst) *"Philips still comprises a bunch of parts that seem to have little link with each other. Mr Kleisterlee* [its CEO] *has got to show he has a vision for what to do with them,"* and from an American rival CEO, *"They have had their ass kicked so many times I have lost count. But in spite of all the restructurings, they are still stuck with high-volume, low-margin businesses that they would be better out of."* In the mid-20th century the company pioneered a range of consumer products in radio. TV and cassette-recorders (which it invented) and while other electronic giants withered and died (Thomson, Grundig, Telefunken) from competition from rivals such as Sony, Philips hung on. It quit large domestic appliances such as washing machines, and had to scale down operations in mobile phones. From over 412k employees in 1974, it now has only 143k, with only 40% of these in Europe. In the 1970s it built up business in colour TVs and semi-conductors, areas in which it now suffers from strong competition. However, through prudent M&A activity is now the global #3 behind GC and Siemens, thanks to innovative products such as extremely bright light sources using new types of semi-conductor devices. It has a strong presence in China (20k employees, producing a third of its total turnover). In answer to critics who argued for divesting semiconductors and TVs, the CEO argued existing employee understanding of markets can be used to develop new products: *"I say to our employees that they are not born to create TVs and digital video players. They should really be concerned with the far more general field of electronics for people. We have strong brands, outstanding design and a good understanding of consumers' lifestyle. We should try to capitalise on these with new thinking that can lead to new types of products,"* (*op cit.*) – for example, a new home healthcare product (a hand-

held monitor to check health) has recently been developed. Its consumer experience enables it to develop customised retailer products that can generate in-store traffic. It has adopted an 'asset-light' strategy, where the group buys in partially and fully assembled products and product design and creation. Sourcing is increasingly moving to Asia. Since 2003 its suppliers have been cut from 50k to 33k. This minimises the number of factories managed by Philips. It has 30 key suppliers that account for a quarter of the group's purchases; these are involved in growth partnerships to develop value-added innovations and services.

The second quarter results (2007) say the firm aims to achieve a 'war chest' of $27bn within 3 years. The company is off-loading stakes in a range of non-core companies and will take on more debt to finance acquisitions, and to buy back shares and bolster dividends. Philips is withdrawing from the semi-conductor business and is renewing its focus on consumer electronics, domestic appliances, lighting and medical systems. It has recently launched an agreed ($2.7bn) bid for Genlyte, the US lighting fixtures maker to bolster its position in the US market. Philips aims to strengthen its energy saving lighting business. Lighting designers are moving towards using solid state light emitting diodes, which may mean that bulbs will never have to be replaced. Philips is world's biggest maker of light bulbs.

loose-tight control (see micromanaging, paradox)
Tight control involves the intervention of senior management in day-to-day management, in a way that leaves little room for other management to take strategic decisions or to choose the means to implement and execute strategy. Loose control is the opposite where decision making is more devolved across the organization, and senior management is mainly concerned with setting direction and key organizational goals. Loose control should not, however, mean a loss in overall strategic control for senior management.

Peters & Waterman (1982) discussed the different idea of simultaneous loose-tight properties, which is related to the notion of soft and hard ball factors (see McKinsey's 7S framework).

loosely coupled systems (see images of organizations, enactment)
The idea that organizational activities are often tied together frequently and loosely, is associated with Weick (originally with Glassman, 1973, in biology). Weick saw the value of the concept not for understanding organizational parts that are heavily rationalised, but for understanding the *"many parts...intractable to analysis through rational assumptions (p.1) …each event also preserves its own identity and some evidence of its physical or logical separateness...their attachment may be circumcised, infrequent, weak in its mutual effects, unimportant, and/or slow to respond...Loose coupling also carries connotations of impermanence, dissolvability, and tacitness all of which are potentially crucial properties of the 'glue' that holds organizations together...Glassman (1973) categorises the degree of coupling between two systems on the basis of the activity of the variables which the two systems share. To the extent that two systems either have few variables in common or share weak variables, they are independent of each other,"* (Weick, 1976: 3).

Weick (1976) argued that schools are loose assemblages, yet they retain similarity and permanence across time. If there are not many variables shared in the world of the superior with the world of the subordinate, and/or if the common variables shared

were unimportant relative to the other variables, then the superior can be regarded as being loosely coupled with the subordinate (Weick used the example of a school principal and a teacher) The concept favours the idea of building blocks, which can be grafted on to or severed from organizations with relatively little disturbance to either the blocks or the organization. *"Its attraction* [of the concept] *lies in admitting the existence of both rationality and indeterminacy in the same system. There is a tendency, however to mistake loosely coupled systems for the opposite of tightly coupled systems, rather than a combination of tightly coupled and decoupled systems,"* (Czarniawska, 2005: 267).

The idea of loose coupling contrasts with the idea that complex systems can be decomposed into stable subassemblies (Simon, 1947), and that action should always fit with plans: *"Frequently, several different means lead to sane outcomes. When this happens, it can be argued that any one means is loosely coupled to the end in the sense that there are alternative pathways to achieve the same end...*[the] *ability to highlight the identity and separateness of elements that are momentarily attached* [is] *crucial"* (Weick, 1976: 4). Control and review of loosely-coupled work is likely to require an understanding of the rich detail about context. There may be loosely coupled systems of review: it is possible, for example, that an effective management of objectives can be loosely-coupled, when informality often makes use of the formal parts; the real issue is then is how the notion of loosely coupled systems might be applied to an overall system of intentionality - not just to discrete areas of action. Weick refers to Simon's *"stable subassemblies...to the idea of cognitive limits on rationality. The imagery is that of numerous clusters of events that are tightly coupled within and loosely coupled between,"* (14).

Sennett (2006) argued that a new-economy model, which reflects many of the ideas of flexible working, has replaced the Weberian bureaucratic model. The new one is poor at leaving room for loosely-coupled organisational activity (see social capital). This may be because some lean systems are premised too much on efficiency and not enough on effectiveness. The expectation is that ways of working in an effective lean environment should encourage flexibility and proactivity rather than diminish it, especially with customer-focused organizing and multi-skilled team-working.

M-form organization (multiple division organization) (see structure)
M&A (see mergers & acquisitions)
make or buy decision (see outsourcing)

management (see leadership, scientific management, PDCA)
The earliest reference to 'manage' may be 1561 from the Italian 'maneggiare' to handle, especially to control a horse ('manus' is Latin for hand): 'manager' in the sense of one who manages occurs in 1588 in the specific sense of one who conducts a house of business or public institution; 'management' occurs in 1598 to mean the act of managing (Harper, 2001).

"We think we live in worlds of our own and can contribute as individuals, but this is only possible because some form of organization makes the specialised work we do productive," (Magretta, 2002b: 7). 'Management' usually refers to a group or team of people who have a formal responsibility for managing other people. However, everybody manages their own work and their relations with others to some extent.

Management has been practised for as long as people have had to work together to accomplish common goals and tasks, and make decisions about how to use resources in uncertain situations. Only in the last hundred years though has it been a subject for professional study. Ideas about the formal administration of organization and the measurement of work were put on a formal basis by scientific management (Taylor, 1911), and Fayol (1949), who may have been first to focus on managing the whole organization (Parker & Ritson, 2005). Research at the Hawthorne Laboratories (Mayo, 1949) into behaviour and motivation became known as the human relations movement. This and similar work is often portrayed in histories of management thought as a reaction to scientific management (e.g. Clutterbuck & Crainer, 1990).

The classical model for management sees the process of management as planning, control, coordination, organization and leadership, these being apart from any other operating tasks that may also be involved. The classical structural model is a hierarchy, with responsibility, authority and accountability for performance, delegated. This may typically be represented in an organization chart. A distinction is made between line and staff managers. The former is responsible for activities that directly involve an organization's production, products and services, and in getting them to the customer. Staff managers have a more specialised or technical (professional) role; they support, advise, and may design and maintain line processes. The direction of authority classically follows the division of planning and operations in scientific management, and is from staff to line management. This hierarchy is supported by organizational structures and procedural and information systems. John P. Kotter, in his seminal article about leadership, noted *"The whole purpose of systems and structures is to help normal people who behave in normal ways to complete routine jobs successfully, day after day. It's not exciting or glamorous. But that's management,"* (1990).

The idea of management as a professional discipline owes much to Peter Drucker, especially *The Practice of Management* (1955). This emphasizes the centrality of the customer and popularised MbO, an idea taken up by the Japanese for hoshin kanri. Their international competitive success with customer focused organizing (e.g. TQM and lean working) placed a greater emphasis on multi-skilled and self-managing teams, and less on functional management. A general move to flatter forms of organization through downsizing and outsourcing in general reduced the role (and numbers) of staff and middle management. A greater stress in management studies was placed management through people, which required a behavioural view of how individuals and groups are managed.

In an early study of human motivation in the workplace, at Western Electric in the 1920s and 1930s, Fritz Roethlisberger & William Dickson (1939) concluded that management has two central functions. These are to ensure that the entire enterprise is focused on a common economic purpose or goal, and to maintain the equilibrium of the social organization so that workers are motivated to contribute to the common purpose and get satisfaction from doing so. Managers are not there as a support function for the frontline, but to create the conditions in which the frontline operates. The day-to-day work of a manager consists in managing structure, communications and motivation. Managers should manage change for the benefit of the business and its people; everyone in the organization should share a common purpose and know their own role in achieving that purpose, and individuals need to be managed to

ensure they are motivated to do their work well and, crucially, that this work gives them personal satisfaction and fulfilment. If the managers fail, then the company fails, and the company prospers if they do well. Managerial functions often have little to do with job titles. Anyone who is involved in shaping organisations and managing change, communications and motivating people is performing a managerial function. Today this often means almost everyone in the company and it is difficult to tell managers and workers apart (Witzel, 2005a).

How useful management is to performance is sometimes questioned. There is evidence that points to management as a central factor in productivity. *"Improved management at Wal-Mart probably played a bigger role in America's productivity miracle of the late 1990s than all the expensive investment in high speed computers and fibre-optic cable by businesses,"* asserted Baker & Abrahams (2001), reporting on a US analysis by the McKinsey Global Institute. The report suggested it is not business opportunities themselves, but how they are managed that counts.

Henry Mintzberg in his influential book, *The Nature of Managerial Work* (1973), noted that while managers are expected to be rational creatures, in practice they are not. They are expected to (1) plan, organise, co-ordinate, control; (2) be reflective, systematic; concentrate on strategic rather than ordinary, routine duties; (3) rely on formal information systems, and (4) treat management as a science and a profession. In reality, they (1) work at an unrelenting pace, are oriented to action and variety, dislike reflection; (2) work with soft information on many routine duties; (3) work with verbal media - telephone, meetings, and work on 'odds & ends of tangible detail', (4) they keep things inside their heads and judgement is based on experience/intuition. More recently, Mintzberg was asked if management had changed since his book (de Holan & Mintzberg, 2004): he noted we are obsessed with management, but we still barely understand the process:

> *"[The] frenetic nature of the job. It has gotten worse. I described the frenetic nature of the job as a natural characteristic, that the manager is bombarded by things and has to be responsive…*[it can] *become a serious problem. Otherwise, I believe that a number of the characteristics described in the book are probably similar today, and the reason is that managerial work is about life itself, in a sense, managerial work is the essence of human activity. Management is not a science, it is not a profession, so it does not change, it remains basically what it was, and I think that if you go back 100 years, or 500 years, the essential nature of managerial work would not be different…What does change is our perception, or our models of dealing with it…Is decision-making more complex today?...There is this view that says that we live where it is at, the really big things are happening to us, that we live in times of great change. Who are we to judge that anyway?...The obsession with the present and ignorance of the past are the worst signs of a hyper-analytic mentality,"* (207).

A feature of management as a profession has been the prominence of consultants and management gurus. One of the most important, especially in Japan, is Deming (1986), who proposed 14 principles for good management. He is significant for his advocacy of the Shewhart (usually called the Deming) cycle of Plan-Do-Check-Act for managing a process of work. This, in effect, defines what 'managing' is – Deming argued that everybody, at any level, must manage work in the same PDCA way. In Japan PDCA drives TQM. Broadly, textbooks identify four tasks of management: (1) planning (deciding on a course of action to achieve a desired result,

focussing attention on objectives, standards, programmes, required to achieve the objectives); (2) organising (setting up and staffing appropriate organization); (3) motivating or directing (so people work together to the best of their ability); (4) controlling or coordinating (measuring, monitoring progress in relation to plans, and ensuring corrective action when required).

Good managers should have the *"ability to look ahead, the ability to retain focus and direction while minimizing risk, the ability to hang on to the principles by which good businesses survive, and the ability to continue to care for your people (7)...in the UK, management is often confused with administration...* [this is] *essentially about the maintenance of the status quo and ensuring the machine runs smoothly...not about change or about improvement. Management is about continuous change...Management in practically every field is about the creation of more, or better, from less. Management is about striving to reach a destination. It is about getting the commitment of all the people in an organization to achievements which they and their customers believe to be better than before. I very much admire the Japanese for making management a fine art. They are always looking for ways to improve not only the product, but also the process by which it is made, and the way in which people work together to make it...there is never a single correct solution to a business problem...that can only be done by the people who have the problems and who are involved (9)…The only test of business success is business success itself. There are no clear rules...There are some rather obvious preconditions for success: do not spend more money than you have; sell things at more than they cost you to make...One of the key signs of a good company is the almost tangible feeling one gets that it is going somewhere. This drive for progress towards an unknown destination can only originate from the leadership of the company. Moreover, the sense of direction will inevitable be subject to change – if only because the world outside is constantly changing. The successful company has a clear goal in mind and everything that is done is directed towards achieving that goal. Even when survival is uppermost in everyone's mind, those who are clear about their goals will act very differently from those who are merely trying to keep bankruptcy at bay,"* (Harvey-Jones, 1993: 11).

Gary Hamel, voted in a Wall Street Journal poll in 2008, as the most influential management thinker, echoed the ideas of Frances Fukuyama's *End of History*, to argue that management is dead, since current models of management are wrong for the present age. *"Who's managing your company? You might be tempted to answer, 'the CEO,' or 'the executive team,' or 'all of us in middle management.' And you'd be right, but that wouldn't be the whole truth. To a large extent, your company is being managed right now by a small coterie of long-departed theorists and practitioners who invented the rules and conventions of 'modern' management back in the early years of the 20th century. They are the poltergeists who inhabit the musty machinery of management. It is their edicts, echoing across the decades, that invisibly shape the way your company allocates resources, sets budgets, distributes power, rewards people, and makes decisions.*

"So pervasive is the influence of these patriarchs that the technology of management varies only slightly from firm to firm. Most companies have a roughly similar management hierarchy...They have analogous control systems, HR practices and planning rituals, and rely on comparable reporting structures and review systems. That's why it's so easy for a CEO to jump from one company to another –

the levers and dials of management are more or less the same in every corporate cockpit. (Hamel, 2007: ix)…[but] *the laws of management are neither foreordained nor eternal…the equipment of management is now groaning under the strain of a load it was never meant to carry…21st-century challenges are testing the design limits of organization around the world and are exposing the limitations of a management model that has failed to keep pace with the times.*

"*Management is out of date…largely stopped evolving, and that's not good. Why? Because management – the capacity to marshal resources, lay out plans, programme work, and spur effort – is central to the accomplishment of human purpose*", (*op cit.*: x).

"*The practices and processes of modern management have been built around a small nucleus of core principles: standardization, specialization, alignment, planning and control, and the use of extrinsic rewards to shape human behaviour. These were elucidated early in the 20th century by a small band of pioneering management thinkers – individuals like Henri Fayol, Lyndall Urwick, Luther Gullick, and Max Weber.* (151) …*they were all focusing on the same problem: how to maximise operational efficiency and reliability in large-scale organizations. Nearly 100 years on, this is still the only problem that modern management is fully competent to address,*" (152).

The book argues that management can be reinvented to take account of variety, and draws lessons from cases covering Whole Foods Market, W. L. Gore, and Google, and examples from others. Hamel argues for forms of management that place an emphasis on how (rather than what) things are done. He favours bottom-up leadership, measures, and top-down trust. He advocates a sense of 'management direction' to complement the CEO's sense of strategic direction. To what extent such ideas may be new is a moot point; Hamel, in fact, cites the views of Mary Parker Follet (1924) on leadership: leadership is not defined by the exercise of power, but by the capability to increase the sense of power among those who are led (Hamel, 2007: 186).

management by facts (see quality tools)

management by objectives (MbO) (see catchball, objectives)
MbO is the top-down and dispersal of objectives through an organization requiring the agreement of superiors and subordinates. MbO is an approach to managing the dispersal of corporate objectives through an organization by agreement between superiors and their subordinates. It is widely used but is also criticised in the management literature for inhibiting proactivity and interdepartmental co-ordination. The activity deploys objectives so that strategic objectives are sub-divided and are broken down into operational objectives. The words 'management by objectives' were first used after the First World War, at DuPont, and at General Motors where it was called 'MbO and self-control'. Drucker is its most prominent proponent (1955): he emphasized the self-control aspects – "*it makes it possible for a manager to control his own performance…enables us to substitute management by self-control for management by domination,*" (Drucker, 1955: 128-129). He called it a philosophy of management, which harmonises "*the goals of the individual with the common weal,*" (133). Drucker argued that managers must be free to do their own jobs.

An early and full UK account is given in Humble (1970). A more recent review of literature considers its impact on productivity (Rodgers & Hunter, 1991): this finds

that effectiveness depends on how it is used to synthesise participative forms of management, especially the involvement of senior managers in the setting of goals and the feedback on the progress of objectives.

In a classic paper, Levinson (1970), the following are listed as possible advantages:
- To relate individual performance to organizational goals,
- To clarify both the job and the expectations of accomplishment,
- To foster the increasing competence and growth of the subordinate,
- To enhance communications between supplier and subordinate,
- To serve as a basis for judgements about salary and promotion,
- To stimulate the subordinate's motivation, and
- To serve as a device for organizational control and integration…

This paper outlines the MbO process as five steps:
(1) individual discussion with the superior of the subordinate's own job description,
(2) establishment of the employee's short-term performance targets,
(3) meetings with the superior to discuss the employee's progress toward targets,
(4) establishment of checkpoints to measure progress,
(5) discussion between superior and subordinate at the end of a defined period to assess the results of the subordinate's efforts.

Levinson argued that to work well the process needs to be carried out against a background of frequent, even day-today, contacts, and should be separate from salary review. In practice, however, Levinson argued there were many problems. These include the weakness that the process is essentially static or too simple for complex tasks. Its pre-established goals leave little room to incorporate discretion, especially spontaneity for creativity in innovation, into a job description. Job descriptions are limited to what employees do in their work, and this ignores interdependencies. Counselling at review should take into account the total situation. The setting and evolution of objectives is too brief to provide the adequate interaction that is required for integration. Superiors have problems with appraisals, as it involves making judgements about another person's worth, and this leads to feelings of guilt and hostility. Appraisal should help rather than inspect another's qualities and work. A person might do a job objectivity well, but fail miserably as a partner, subordinate, superior or colleague, and this influences a superior's judgement (there is likely to be a strong subjective element). Levinson points to the importance of personal goals in conditioning motivation, and this can weaken the commitment of individuals to achieve higher-level goals. Thus, he argued for approaches that take into account the quality of superior-subordinate relationships, the importance of group rather than individual action, and the extension of appraisals to include appraisals of superiors by subordinates. Subordinates should be encouraged to self-examine and superiors should engage in some introspection. Qualitative aspects of performance may then be raised, which will help interactions, counter the problem of static job description, and provide multiple avenues for feedback on performance and joint action. Working relationships will then become dynamic networks for both personal and organizational achievements.

In practice, MbO seems to have followed scientific management principles; when superiors use it to command and control the performance of subordinates, and where numerical goals are used to hold individual managers to account for achieving them.

Authority is imposed through top-down objectives in a hierarchical way that is often detached from implementation and daily management. This can make objectives arbitrary in the sense that while they may be desirable, they may be hard to achieve in practice since they fail to take account of the realities of implementation and execution. Early proponents argued that objectives should not be set (or agreed) independently of review, and that the review of objectives should not be used to discipline or intimidate subordinates, but used only to evaluate progress to facilitate and aid those who are actually doing the work.

Many problems can arise with MbO if the objectives are used to:
- foster individual rather than team contributions
- are set independently by managers without regard to corporate strategy
- are set within departments and ignore cross-functional activity
- once set, remain in place with only slight modifications regardless of wider events
- are too one-dimensional and overly-financially determined
- are set without an adequate detailed planning process
- lack consensus
- do not link together in a hierarchy from higher level strategy to operations
- lack a framework for a formalised review procedure to monitor and ensure success

"The MbO approach in many companies often tends to be detached from the strategic planning effort. This might result in dysfunction unless modified to be consistent with the rest of the strategic management process. MbO might have been introduced well before planning to create more of an action-oriented task emphasis to the traditional budgeting. As such, MbO would have a highly bottom-up-dominated nature, with lower-level managers playing major roles and with heavy emphasis on behavioural/job evaluation aspects," (Lorange, 1980: 161-163). Research evidence that MbO does not work in practice is scarce. A study of Irish practice suggested that the main reason for its use was to link evaluation to performance in appraisal (about 35% of respondents); 16% used it for goal alignment (Reddin & Kehoe, 1974). Wildavsky suggested MbO is too detailed, *"MbO's chief effects are an increase in paperwork and in discussion of objectives...When asked what they would recommend as improvements beyond MbO...administrators mention...a need for clear mission goals and priorities,"* (1974: 185).

It may also be that the notion of cascading objectives, where one level's objectives/strategies become the sub-objectives/strategies of the next level, is flawed. Particularly for organizational forms and behaviour that is open and complex rather than where work is standardised. In the former instance, parts of an organization are likely to differ significantly from each other, and are unlikely to want to pass and share objectives in any programmed form. Deployed objectives in a service organization, for example, are more likely to be open to translation by local management.

The origins of hoshin kanri in Japan owe much to the adoption there of MbO. Hoshin kanri focuses on only a few hoshins, and managers and teams at different levels of deployment follow the Pareto principle to problem-solve objectives through a process of prioritisation, especially during the catchball planning stage. At Hewlett-Packard: *"Traditional MbO was entirely results-oriented but the overlaying of it with the*

hoshin management system sought to balance that focus with an emphasis on process. Rather than arguing [when the company finally adopted Hoshin Planning] *for the superiority of hoshin over MbO. Hoshin was marketed within the company as a 'more mature MbO',"* (Cole, 1999: 222).

MbO in Japan has been more participative where the deployment of objectives has followed a catchball and nemawashi approach: the stress is less on management <u>by</u> objectives (MbO) and more on management <u>of</u> objectives. The development of MbO in Japan owed much to a version by Schleh (1963), who calls it 'management by results' and proposed something called target control. *"Target control emphasizes results, but today the process that produces these results must be analysed* [PDCA-conditioned TQM does this], (Akao 1991b); where 'target' translates as 'expected results'. 'Policy' in hoshin kanri is broader and includes both target and means, the latter points the direction by which the specific steps for achieving the target are clarified. This makes hoshin kanri different to MbO, and the more direct link between target and means makes it easier to determine an action plan with a timetable. Another influence is probably the importance given in Japan to cross-functional working (see cross-functional structures). When in western organizations MbO involves inter-departmental collaboration, negotiations often occur within departmental boundaries and rules: *"Eventually it leads to sub-optimal company-wide performance because policy decisions are made in fragmented parts and not as components of a whole,"* (Dimancescu, 1995: 76).

Hofstede (1980a) found that MbO in the USA has been considerably more successful where results were objectively measurable, than where results are a matter of subjective interpretation. Ishikawa similarly argued that objectives can be used too loosely: *"If we talk of management by objectives, policy management, etc., there is a danger that top executives will simply state objectives and policy and then do no more than exhort people to try harder, falling into the trap of managing by exhortation rather than scientifically. This is why the concept of MbO, once fashionable in the US, has now been discredited,"* (Ishikawa, 1990: 426-427).

Hofstede (1980b) argued that MbO requires:
- subordinates to be sufficiently independent to negotiate meaningfully with a superior (he termed this 'low power-distance'),
- both subordinates and superiors are willing to take some risks – the superior in delegating power, the subordinate in accepting responsibility ('low uncertainty avoidance'),
- the subordinate is personally willing to 'have a go' and make a mark ('high individualism'),
- both subordinates and superiors regard performance and results as important ('high masculinity').

These are characteristic of an Anglo-American work-culture and may not hold for other countries. Hofstede reviewed reports from Germany (Ferguson, 1973) and France (Franck, 1974). He observed for Germany, the presence of high uncertainty avoidance; so the idea of replacing the arbitrary power of a superior with mutually agreed objectives fits better. Here MbO became 'management by joint goal setting' and elaborate formal systems were introduced. In the French case, he observed a high power distance, as well as a high uncertainty avoidance, which meant that MbO was

not sustained, because superiors did not delegate easily and subordinates continued to expect to be told what to do.

Micklethwait & Wooldridge observed that while MbO is likely to *"remain in the graveyard"* (1997:81), something like MbO is needed: *"Drucker's suspicion that, if we are to avoid both anarchy and alienation, soft ideas like empowerment need to be mixed with harder ones like MbO is proving prescient. Anybody who studies the collapse of Barings will find it hard to be an uncritical supporter of empowerment. But simply restoring the old system of command and control risks alienating the knowledge workers on whom the success of most companies depend,"* (1997: 81). This 'something' for many organizations is now the balanced scorecard.

management control (system) (see control, strategic control)
Probably the most influential text on management and strategic control was from an accounting perspective, Robert Anthony's *Planning and Control Systems* (1965). This made a distinction between strategic planning, management control, and operational control. The first determined the goals of the organization, the second implemented them, and the last operationalised them in the different parts of the organization. In the words of Lorange *et al.* (1986),

"Anthony defines strategic planning as a process having to do with the formulation of long-range plans of a policy nature that change the character or direction of the organization. He also maintains that in an industrial company, this includes [quoting Anthony, 1965: 10] *'all planning that affects the goals of the company; policies of all types; the acquisition and disposition of major facilities, divisions, or subsidiaries; the markets to be served, and distribution channels for serving them. Strategic planning decisions affect the physical financial and organization framework within which operations are carried out'. Anthony, on the other hand, defines management control, as the process by which management ensures that the organization carries out its strategies effectively and efficiency. He goes on to define operational control as the process of ensuring that specific tasks are carried out effectively and efficiently. Anthony points out that these three processes cannot be separated by sharp boundaries, because each one shades into the other. However, he argued that strategic planning sets the guide-lines for management control, and management control sets the guidelines for operational control,"* (Lorange *et al.* 1986: 11-12).

Management control included annual planning (or 'tactical planning', following Lorange *at al.*), and how annual (or near-term) plans are developed, deployed, and implemented across an organization. Recent editions of Anthony have defined management control more broadly as *"the process by which managers influence other members of the organization to implement the organization's strategies,"* (Anthony & Govindarajan, 2001: 6). This involved (1) planning what an organization should do, (2) co-ordinating the activities of several parts of the organization, (3) communicating information, (4) evaluating information, (5), deciding what, if any, action should be taken, (6) influencing people to change their behaviour. The text noted that these things do not *"necessarily require that all actions correspond to a previously determined plan, such as a budget…based on circumstances believed to exist at the time they were formulated…If a manager discovers a better approach…the management control system should not obstruct its implementation…The central control problem is to induce [managers] to act in*

pursuit of their personal goals in ways that will help attain the organizational goals as well...[the management control system] *should be designed and operated with the principle of goal congruence in mind,"* (*op cit.* 7).

This was an issue raised by Loasby (1976) who argued that both organizational purpose <u>and</u> personal objectives of managers should be satisfied. "[A] *common purpose may be a useful fiction for cementing the organizational coalition...*[but] *the maintenance of organizational cohesion is the function of a management control system: by measuring a manager's performance in terms of his contribution to overall objectives, and motivating him to improve the performance so monitored, formal methods of control are intended to ensure the effective jointness of managerial and organizational objectives...the type of control system used may become a vital influence...one discretion* [for managers] *is inevitable in the absence of perfect knowledge,"* (138).

Discretion was necessary because of three things: the difficulty of assessing correctness of a choice for future states; a difficulty of reviewing decisions by specialists; and because subordinates have some control over information their superiors use. The choice of the type of control system is important therefore: "*For those concerned with the product at all levels of the hierarchy, the control system is the framework in which* [people] *operate and determines the amount of discretion they have in the organization of their own activities*," (Woodward & Eilon, 1966: 95). The choice of type of control system may depend on the degree of complexity of the prevailing technological and economic situation of the firm. For example, in continuous flow with a single-purpose plan, production objectives have to be precisely defined. At the other end of the scale, where products are subject to rapid development and variety, it may be difficult to define objectives precisely. In between these two situations, the nature of the control system and the complexity of planning and control procedures may depend *"as much upon the outlook and sophistication of the management of the firm as upon the technological or economic circumstances,"* (*op cit.* 95-96).

management information system (MIS) (see systems)
A management control system in which information is collected, processed and transmitted through an integrative, usually a computer-based, network.

management of change (see strategic change, continuous improvement, stability)
This covers two distinct areas of change. The first is transformational change, and involves fundamental change in long-term strategy and (or) changes in organizational structure, systems, and cultures. The second is continuous change, and is associated with incremental change in the routines associated with a business model. Longer-term purpose, objectives and strategy, are relatively stable, and provide a framework for the management of change during the shorter period. In the literature this difference typically goes unrecognised and 'change' is written about in terms of 'change processes', where an emphasis is placed on how people react to and cope with change. Although it has been recognised that the *"fundamental problem is the conflict between the need for corporations to manage their present operations that permit new ideas to flourish and old ones to die,"* (Levis, 2009: 287).

In terms of continuous change, a distinction can be made between innovatory and improvement change; the first involves breakthrough, step change, and doing work differently; the second is incremental and typically involves the improvement of existing processes. The former may involve open forms of learning, such as double-looped or explorative learning, while the second may be more about single-looped and exploitative learning. Incremental change takes place in a succession of small steps, but this can add up to substantial change over time. One would expect innovatory and improvement change to relate to each other; Imai (1986) argued the results of radical and innovative change degrade over time and must be accompanied by kaizen (continuous improvement).

Kano (1993) argued executives deal with two kinds of strategies that involve transformation. One is effective immediately after decision-making and involves personnel, budgeting or M&A activity. The other involves hoshin kanri and requires a company-wide effort. Hoshin kanri is a strategy execution framework involving the management of both innovatory (hoshins) and improvement objectives (control items) to link the management of change in daily management to strategic needs. This link means that kaizen is driven by strategic objectives, when the search for competitive advantage is based on a persistent search for incremental improvement.

Stieglitz & Heine (2007), however, asserted *"Incremental innovations build on existing technological resources and refine traditional product architectures. An established, consistent activity system* [following Porter] *facilitates incremental innovations, because lower-level managers concentrate on their individual part of the innovative effort within the bounds set by the organizational structure. Strategic direction is therefore not needed to implement incremental innovations,"* (5). (In fact, cross-functional structure is designed to give functional activity strategic direction.)

Competitive advantage in American organizations is often premised on a perceived need for a strategic leap (Hayes, 1985), and the idea of strategic change as a revolution (Hamel, 1996; Peters, 1997). Lorange *et al.* (1986) made a distinction between controlling a strategic leap and strategic continuity. The former involves a fundamental change in strategic direction, while momentum concerns the maintenance of a particular strategic direction while coping with environmental turbulence and change. Ansoff distinguishes between two styles of organizational behaviour: the incremental and entrepreneurial. *"The incremental mode is directed toward minimising departures from historical behaviour, both within the organization and between it and the environment. Change is not welcome; it is to be either controlled, 'absorbed', or minimised...the response to change is reactive; action is taken after the need for change has become clear and imperative,"* (Ansoff & McDonnell, 1990: 239).

An entrepreneurial organization *"strives for a continuing change in the status quo,"* (240). It is typically associated with the early development of an organization or with times of crisis, although some observers (Hamel, 1996; Peters, 1997) argued that entrepreneurial behaviour must be continuous if trading conditions are constantly changing. Scholars often made a distinction between entrepreneurial-led and supply-led change, where the former is more radical and the latter more incremental (Miles & Snow, 1978). For many strategy scholars, a strategy is based on an entrepreneurial

posture that can recognise and take account of a window of opportunity to take advantage of external developments, not necessarily to be the first mover but the first to get it right. In 1998, when Richard Rumelt asked Steve Jobs after he had come back and turned Apple around, if Apple was now going to remain a small niche player in PCs, he said: 'I am going to wait for the next big thing', and this turned out to be the iPod. Jobs recognised in the entertainment industry a set of ideas and needs that needed to be quickly and decisively acted upon. Apple had the knowledge and resources to do this (Lovallo & Mendonca, 2007).

Jack Welch (2005) argued that companies should turn the search for change into a way of life. He used the example of Proctor & Gamble: *'There was no company more set in its ways than P&G. But in less than five years, the company instilled a whole new vigour into its innovation efforts. It broke its NIH* [not invented here] *syndrome and scoured every corned of the world for 'garage' inventors with cutting-edge ideas. And they didn't stop there. Their search for new ideas led them to create networks into other companies, suppliers, universities, research labs, and venture capitalists. They took some of the ideas they found and fine-tuned them, and used still others to reinvent their existing products. For instance, P&G took the tried-and-true electronic technology used to paint cars and applied it to its cosmetics business – transforming the way its makeup products go on to the skin. With a new can-do attitude, the company also revitalised in-house R&D. The result was products like Crest Whitestrips and the Swifter cleaning products, which literally invented whole new mass-market categories,"* (Welch, 2005: 344).

Revolutionary and constant organizational change may be detrimental in terms of social capital (see social capital). Also, for change to be successful *"People need to understand clearly the reasons for changing the way they do things. Change for the sake of change, or changing simply because this year's management fashion says so, will only result in superficial alterations in the way things are done. The fundamental shift in thinking and behaviour* [the quote here refers to lean working, but it is true for all strategically-related change] *requires much more. Ohno felt strongly* [at Toyota] *that change should begin from need,"* Shook (1998: 56).

Substantial change is likely to be de-stabilising and dysfunctional if it is not effectively managed. The low success rates for M&A activity is an example, and many merged companies use integration teams to consolidate reorganization. Change agents emphasis education and communication; negotiations with effected stakeholders may be necessary and manipulation used to offer incentives and rewards, or the threat of unpleasant sanctions or coercion (things may unfold in that order). Change agents are individuals such as a leader who personifies the change, and may have previous experience elsewhere of similar change, or they may be groups, such project teams and consultants; the responsibility for the change process is delegated by senior management to the change agent.

In any case, changes that require setting new direction and corporate strategy should be made only occasionally (see stability) as change for its own sake is often futile.

Inertia is the degree of response an organization exhibits in inhibiting change (see unfreeze-change-refreeze). The term originally came from physics and suggests that the greater the size and shape of existing elements (structure, culture, activities,

history) then the greater is the necessary force to change them. Factors causing inertia may include lack of understanding of those effected by change, also by those initiating change (often unrecognised by change agents), lack of trust between rank and file and management, fear of change (its adverse effects, especially for quality of working, career progression, job security etc.), and uncertainty. The degrees of unionisation and professionalism are important as factors in influencing not just resistance, but also the course and nature of change.

The ability to recognise the need for fundamental change is basic to good strategic management. Middle management may first detect a need for significant change; however, senior management must also fully understand what is happening before making any fundamental change. *"I think our board has a very clear understanding that every now and then changes occur which could be significant and you have to watch out for those changes – what in the US they call a new paradigm. At those times it's important to leave your strategy suitcase in the station and catch the train,"* Peter Job, CEO, Reuters (Dearlove, 1998: 44).

But big (especially) unpredictable external change is hard to spot and its significance is difficult to recognise as it is often beyond comprehension. The unexpected is simply not believed. (It is sometimes possible to create preparedness for the unexpected such as through scenario planning.) On April 28th, 1770, Captain Cook sailed the Endeavour into what became Botany Bay. *"They saw bark canoes and in them blacks were fishing. The ship floated past these frail coracles…*[the Endeavour] *was the largest artefact ever seen on the east coast of Australia, an object as huge, complex and unfamiliar as to defy the natives' understanding. The Tahitians had flocked out to meet her in their bird-winged outriggers, and the Maoris had greeted her with hakas and showers of stones, but the Australians took no notice. They displayed neither fear nor interest and went on fishing…Only when anchored and…approached the south shore of the bay in a longboat did the natives react. The sight of men in a small boat was comprehensible to them; it meant invasion. Most of the Aborigines fled into the trees,"* (Hughes, 1988: 53).

The 'management of change' is sometimes considered a distinct subject from strategic management. It is called organizational change by organizational scientists, and change management by consultants and practitioners. The former generally take a social science perspective rather than a managerial one. The latter is often focused on the role of leadership and how it impacts on organizational behaviour and transformation.

Changes in operational processes are part of routine working and are typically based a recognition that work is not going to plan or to a specification. If work is being managed to PDCA principles, then monitoring (e.g. through using a control chart) may show variations in performance and this triggers corrective action; perhaps a problem-solving process, which may result in changes to plans and objectives.

management (and strategy) tools (see consultants, quality tools)
These are concepts, processes, exercises, analytical techniques, and frameworks. The consultants, Bain and Company, conduct on a regular basis a world survey of 'management tools'. The top three have remained more or less at this level of use for some time (Rigby, 2001). The list in 2003 had the follow order of use (Rigby, 2003):

- strategic planning (used by 89% of respondents)
- benchmarking by 84% (up from 76% in 1999)
- mission and vision statements 84%
- customer segmentation 79%
- outsourcing 78%
- customer surveys 78%
- customer relationship management 78%
- corporate code of ethics 78%
- growth strategies 76%
- pay for performance 76%
- core competences 75%
- contingency planning 70%
- strategic alliances 69%
- change management programmes 64%
- knowledge management 62%
- balanced scorecard 62% (up from 43% in 1999)
- downsizing 59%
- TQM 57%
- BPR 54%
- supply chain integration 52%

McKinsey (2002) maintains that there is evidence that UK manufacturing companies are slow to adopt modern management techniques such as TQM. They "*claim to have established a statistical link between good management techniques and high productivity levels which explains why British-owned factories lag behind competitors in the US, France and Germany. But the relatively high performance of foreign-owned factories operating in the UK suggests the performance of shop-floor workers and government regulators should not be blamed. Examples of successful implants include Nissan's plant* [Tyne & Wear]...*and the Toyota car factory at Burnaston, near Derby, which have the highest output per employee of 43 leading car plants in Europe*," (Roberts, 2002). It could thus be a 'British management' problem. Other evidence suggested that the UK is below average in the use of management techniques (Nickell & Van Reenen, 2002) (see productivity gap). There is no specific survey for the UK, but one was done for 'strategy tools' (the survey covered 149 private and public UK organizations), see Gunn & Williams (2007).

- SWOT used by 70% or organizations
- Benchmarking 60%
- Critical success factors 51%
- Competitor analysis 38%
- Stakeholder analysis 35%
- Core competences 32%
- Balanced scorecard 30%
- Scenario planning 28%
- Lifecycle analysis 23%
- Culture analysis 23%
- Stakeholder mapping 22%
- Value chain analysis 20%
- Resource capability analysis 15%

- Industry structural analysis 13% (Porter's 5 forces)
- McKinsey 7 'S' framework 11%

The idea of a 'tool' does suggest something specific or a tangible technique. However, these surveys are really about whether the respondent organizations engage in these things as activities, rather than about the exact nature of the tool alluded to; for example, there are various purposes for benchmarking and takes different forms. The strategy tools survey suggested lower levels of use in the UK, for example, for benchmarking and the balanced scorecard (although, obviously, the surveys in timing and scope cannot be compared on a like-for-like basis). The surprising thing about the UK survey is the absence from it of vision and mission statements, which should have been taken into account as strategy tools. There are other notable omissions such as portfolio analysis and growth matrices.

Most of the theories about how to manage come from the United States. Geert Hofstede and Gert Hofstede (2005) argued that people forget to ask how a society's national culture is distinct and what is the cultural basis of the superiority of Anglo-American theories? In practice even the Americans may not use these tools rationally (see bounded rationality), and the success of the American economy may generally owe little to internal factors and management principles. In American publications there may also be a tendency to re-structure past events in ways that stress rational decision-making and the 'laws' of competitive markets. A universal applicability of management tools, which largely emulate from the United States, may not apply.

market development strategy (see growth strategies)
market makers (see Internet)
market penetration strategy (see growth strategies)

market-state (see postmodernism)
A concept used by Philip Bobbit to describe an *"emerging constitutional order that promises to maximise the opportunity of its people, tending to privatise many state activities and making representative government more responsive to the market,"* (Bobbit, 2002: 912). *"In the market state, the marketplace becomes the economic arena, replacing the factory. In the marketplace, men and women are consumers, not producers (who are probably offshore anyway).* [Citing Michael Walzer, 1995: 13, 17, he wrote] 'What can a hospital attendant, or a school teacher or a marriage counsellor or a social worker or a television repairman or a government official be said to make?...More important than producers...are the entrepreneurs – heroes of autonomy, consumers of opportunity – who compete to supply whatever all the other consumers want or might be persuade to want...competing with one another to maximise everyone else's options.,'* (Walzer, 1995: 13, 17). The market state is premised on the idea of globalization (and the reliance on international capital markets and, to a lesser extent, the 'modern multi-national business network', to create stability in the world economy). The market state could replace the national state which had been the *"dominant constitutional order of* [the] *twentieth century* [that] *promised to improve* [the] *material welfare of its people,"* (Bobbitt, 2002: 278)**.** The idea does not necessarily imply a reduced role for the state, if government is required to regulate levels of (especially universal) services. A related question is whether participation can be supplanted by observation, such as the society of the

spectacle, or through the Internet, creating a society dependent on polling and (identity-based) entertainment, rather than on voting and serving.

marketing (see customer focused organization, CRM, value)
Marketing activity is central to establishing a customer focused business orientation. Drucker was one of the first to stress the broad importance of marketing as a concept for the business. *"It is the customer who determines what a business is... What the business thinks it produces is not of first importance – especially not to the future of the business and to its success. What the customer thinks he is buying, what he considers 'value', is decisive – it determines what a business is, what it produces and whether it will prosper. Actually marketing is so basic that it is not just enough to have a strong sales department and to entrust marketing to it. Marketing is not only much broader than selling; it is not a specialised activity at all. It encompasses the entire business. It is the whole business seen from the point of view of its final result, that is, from the customer's point of view. Concern and responsibility for marketing must therefore permeate all areas of the enterprise,"* (1955: 35-36).

Drucker used the words 'marketing concept', which General Electric had developed and used in its 1952 Annual Report (Ocasio & Joseph, 2008), which Levitt (1960) later popularised. The marketing function includes the use of market segmentation and the marketing mix. This should involve understanding and anticipating future customer needs as much as about satisfying today's customers. A marketing-focused strategy may be superficial if it concentrates too much on today's customer and not enough on tomorrow. Bennett & Cooper (1982) argued a strict adherence to the marketing concept has damaged American business. It led to a dearth of true innovation and shifted the strategic focus of the firm away from the product to the other elements of the marketing mix, which can only be manipulated very successfully in the sort run, but which leave the business vulnerable in the longer-term. Kotler makes a distinction between being market-driven and market driving (Tomkins, 2003c) and noted the dictum of Sony's Akio Morita, who declared 'We don't serve markets. We make markets.' There was no apparent market demand for the videocassette recorder, video cameras, fax machines or personal digital assistants until after they had been made. So Kotler says marketing must also invent new needs.

In recent years marketing through ideas like customer relationship marketing has re-centred itself on on-going customer relationships to better understand market behaviour rather than more narrowly on existing market transactions. The Japanese refer to 'building-in marketing', where external customer information is used not only to design processes but also to check customer satisfaction for process management (the Q part of QCDE). TQM and lean working should be based on customer-focused approaches to organising, when they can be used to facilitate a process approach that gives a clear view to the external customer. This also applies to design where the VOC is written into QFD. Strategic marketing has some overlap with strategic management but this is primarily about the definition, development of markets, and the on-going management of market relationships.

Vargo & Lusch (2004) distinguished between operand and operant resources: the former are resources that are used to produce an effect, while the latter are resources that operate on the operand resources to produce the effect. This has a lot in common

with the resource-based view. Their view encourages marketing to consider less the functional foundations for thinking about marketing and more the intangible basis of value. They maintain that marketing has focused on tangible output and exchange value based on the division of labour, rather than customer focused differentiation.

mass customisation (see CRM)

mass market
The vision of a large market drives many new technology organization's aspirations. Typically, though, new markets must first be developed through stages. The path to a mass market is likely to be very expensive. In terms of the industry life cycle the issue is how to move from a market segment of early adopters to a majority of potential customers. The key question is the extent to which profits rising from extra customers and falling unit costs can more than compensate for the adverse effects of lower prices and any associated costs from expansion. A large organization and therefore an industry incumbent is better placed to be able to draw on the necessary resources. However, incumbents may be at a disadvantage if they have cultures that are likely to downplay industry futures. Industry leader IBM was able to quickly develop a PC and a new mass market for computers, but its PC eventually lost ground to new competitors like Dell, largely because the company's priorities were fixed on the industrial market for large hardware.

mass production (see Fordism)
matrix organization (see structure)

(quality management) maturity grid (see zero defects, top executive audit)
Crosby (1979) introduced the quality management maturity grid (Hewlett-Packard's variant was called a 'quality maturity system'). This could be used to evaluate the stages an organization had reached in its quality management. Crosby suggested organizations go through five stages: uncertainty, awakening, enlightenment, wisdom, and certainly. The level of maturity progresses from stage one, the responsibility for quality is a functional one, to stage five, quality is represented as a strategic concern at board level, and is the responsibility of everyone. Crosby suggested six areas should be assessed: management understanding and attitude, quality organization status, problem handling, cost of quality as a percentage of sales, quality improvement actions, and finally a summation of the organization's 'quality posture'. The idea has been taken up for areas other than quality: e.g. Fraser *et al* (2002) and English (2005). The idea is useful as a means identify the capability of people, and is used for TEAs to understand how the core methodologies of a firm are maturing: for example, at Nissan the following five stages are used to gage, on an annual basis, how its core capabilities (including strategic management) are being managed across all the corporate units (Witcher *et al*: 2006):

- Stage 1 - Ignorance of effective management capabilities.
- Stage 2 - Awareness of better ways of doing things more effectively.
- Stage 3- Starting to implement some improvements.
- Stage 4 - Integrated but still improving the performance and management of the capabilities.
- Stage 5 - Arrived and capabilities are fully integrated as standardised practice.

MbO (see management by objectives)

McKinsey matrix (see strategic portfolio analysis)

McKinsey's 7S framework
A McKinsey consulting model, which is a framework of seven inter-related variables for managing organizational change. It was published by Waterman *et al.* (1980), which they described as a framework for organizational change. The seven elements are inter-linked so that *"it's difficult, perhaps impossible to make significant progress in one area without making progress in the others as well…it isn't obvious which of the seven factors will be the driving force in changing a particular organization at a particular point in time,"* (18-19). It is important that they must all be aligned in a consistent way (say, to be consistent with a generic strategy).

- Strategy (actions that a company plans in response to or anticipation of changes in its external environment – its customers, its competitors)
- Structure (organization – divides tasks and provides co-ordination between them)
- Systems (processes, procedures, formal and informal, that "make an organization go")
- Style (the way a senior management team comes across to the organization)
- Staff (the socialisation of managers in terms of what the business is about)
- Skills (characterisation of companies by what they do best, dominating attributes or capabilities)
- Superordinate Goals (guiding beliefs or fundamental ideas around which a business is built)

"It suggests the wisdom of taking seriously the variables in organising that have been considered soft, informal, or beneath the purview of senior management interest. We believe that style, systems, skills, superordinate goals can be observed directly, even measured – if only they are taken seriously," (26). Superordinate goals are typically portrayed as 'shared values', the interconnected centre for the other six elements. Changes in strategy and structure may happen quickly, changes in the others around a new superordinate goal could take years. The pace of real change is geared to all seven S's. This is another argument for balance in strategic management; to see how a balanced scorecard complements the McKinsey 7-S model, see Kaplan (2005).

Pascale & Athos (1982) used the 7S framework to explore the nature of Japanese management. They asserted that there was little difference between the Japanese and western organizations in terms of strategy-structure-systems, which they termed "hardball" elements. Rather the Japanese competitive advantage was based on a combination of the other, "soft-ball" part of the model. *"Their culture gives them ambiguity, uncertainty, and imperfection, and interdependence as the most approved mode of relationship,"* (204). Ghoshal & Bartlett (1997) used purpose, process, and people to embrace softball factors, but in their view organizations should use these in place of strategy, structure, and systems respectively. More broadly in the management domain, a distinction is often drawn between hard approaches to managing that are associated with measurement and command and control on the one hand, and 'soft' approaches that require more qualitative judgement and team-working. There is no distinction like this in Japanese management, where people management and judgement is largely based both on management by facts <u>and</u> intuition. The EFQM (1999) in its performance excellence criteria make a distinction between what might be considered 'hard' and 'soft' measures: *"Performance: A*

measure of attainment achieved by an individual, team, organization or process [hard]...*Perception: The opinion of an individual or group of people* [soft].*"* It asserted that both must be taken into account to assess business results. In the UK during the 1990s there was an extensive debate about the differences between soft (human centred) and hard (business centred) forms of HRM (Oswick *et al.* 2002). It is not the difference itself that is important, but the interdependencies between the elements that hold the key to understanding the whole system.

measures (see the balanced scorecard)
These are quantified indicators of an objective. Lagged measures are indicators of past performance and lead measures are indicators of the enablers of future performance.

mechanistic organization (see bureaucratic organization, scientific management)
This applies to organization that is typically based on a tall and top-down hierarchy, where structure and systems are clearly prescribed to cope with stable working environments and predictable routine situations. This organizational form is often contrasted with organic organization where the environment is uncertain and decision making is involved with change so that decisions are devolved throughout the company (Burns & Stalker, 1961).

Medium-term plans (see mid-term plans)

mergers & acquisitions (M&A) (acquisition integration)
A merger is the agreement of two organizations to integrate their operations as a combined organization under common ownership. A merger of equals is unusual, since one of the organizations is usually more dominant and its management is likely to become dominant in post-merger negotiations and reorganization. An acquisition is when one organization buys a controlling interest in another, with the aim of creating a larger entity, or with a view to restructuring the acquired organization to re-sell at a profit. A takeover is an acquisition that is made when the target organization has not sought the acquiring organization's bid. When a takeover attempt is unwanted by the target organization it is called hostile. A friendly takeover bid occurs when the takeover organization makes a bid that is indorsed by the target's board of directors and the takeover is seen as a desirable development for the target organization.

M&A activity is a fast way to increase size, acquire new knowledge, technology, competences and resources, and enter new markets and industries. M&As are typically involved in rapid expansion, such as Vodafone: according to the company *"the figures vindicate Vodafone's dash for growth during the TMT bubble, when it acquired Airtouch of the US for £42.7bn and Germany's Mannesmann for £101bn. 'It was never deals for the sake of deals. Our plot was to capture the mobile phone sector as it was going through a rapid phase of consumer growth...That drive coincided with a strong share-rating, which gave us an acquisition currency'... Vodafone spent relatively little cash on its global expansion: less than £15bn in all...* [but] *the* [TMT] *industry is littered with companies – WorldCom, Marconi and others – that promised impressive growth and then disappointed investors,"* (Burt, 2002b).

Generally *"if past research is any guide, the number* [of take-overs and mergers] *that are successful will be small...anywhere between one-third to more than half of all acquisitions are ultimately divested or spun-off,"* (Anand, 1999: 6). Success requires a clear strategy before an acquisition is completed; integration needs to be prompt and decisive once the financial transaction is over. Without integration a company achieves little but financial diversification. A basic understanding of the acquired company is needed on the part of senior management. Some of the most successful mergers have been between companies with a previous history of partnerships such as through joint ventures or alliances. London (2002a) cited a McKinsey study that followed the progress of 160 deals consummated in 1995 and 1996. Only 12% managed to accelerate sales growth in three years after a merger, while *"most sloths remained sloths, while most solid performers slowed down."* This is because mergers create uncertainty, top salespeople became recruitment targets for rivals, redundancies damage morale, and consumers are sensitive to signs that product or service quality is slipping. While cost cutting and rationalisation may boost profits and earnings for a short time, long-term progress is impossible if management is damaged or stagnates. However recent successes involving firms from different countries (and cultures) include the South African Breweries takeover in 2003 of the Miller Brewing Company in the US, which required careful management and a sensitivity to local conditions (Grant & Wiggins, 2005). If M&A activity results in big structural and organizational changes then it may take years to achieve a high level of operational effectiveness, and cultural change may take the longest to achieve (Gerstner, 2002).

The rise in intensity of global competition has probably made brands more important. Many companies, such as Tata with Tetley Tea, have successfully bought overseas' brands. However, not all cases have been successful. *"Ford purchased the luxury brand Jaguar in 1989 and has done everything but kill it since. Several years ago, for instance, the company tried to make the niche brand a mass-market product, building Jaguars on Ford platforms. Consumers rejected it, of course, and Ford has been working ever since to rebuild Jaguar's reputation. For Ford in 1989, buying Jaguar was a big investment in the future, with hundreds of millions of dollars risked so the company could have luxury brand, but it was barely raising the bar. Jaguar vehicles appealed to luxury buyers with their unique styling, but the British brand was also known for its mediocre quality and subpar service. Ford's decision to forgo developing unique luxury products in-house in favour of purchasing and attempting to integrate another company with a drastically different operating culture resulting in more confusion than synergy. Over time, the Jaguar would prove to be a perennial money loser that detracted from Ford's overall corporate brand,"* (Magee, 2007: 90-91).

Jack Welch, ex-CEO of GE, and recognised as a grand-master of M&A, provides a list of M&A pitfalls:

(1) Beware of a merger of equals: This is likely to produce a feeling of 'if we are so equal, why shouldn't we do it our way?' Your way is certainly no better.' The DaimlerChrysler merger in 1998 was claimed as a merger of true equivalents – it was claimed not as an acquisition by a high-end, diversified German manufacturer of a low-end American car company, but as a marriage of equals needing each other to globalize. The reality of the situated emerged in 2002 when Daimler installed one

management system, culture and strategy, but it was too late, the American operations were in the end sold on to a private equity company in 2007.

(2) Beware a failure of cultural fit: Do not fail to take account of cultural fit: *"most companies have a relatively straightforward time evaluating strategic fit. Most managers (and their consultants, or bankers) have the tools and experience to assess whether two companies fill meaningful gaps for each other in terms of geography, products, customers, or technologies (or all of those), and by combining, create a company that. Even with some evitable overlap, is stronger and more competitive. But cultural fit is trickier. Even with a cool head, the compatibility of two sets of value systems is a hard call. That's because lots of companies claim they have the same DNA – they believe in customer service, analytical decisions making, learning, and transparency. They value quality and integrity, etcetera, etcetera. Their cultures are high performance, results driven, family friendly, and the like. In reality, of course, companies have unique and often very different ways of doing business. But in deal heat, people end up assessing that every company is compatible. Cultural fit is declared, and the merger marches ahead,"* (Welch, 2005: 224-225).

"I passed over deals on the west coast in the '90s because of my concerns about cultural fit...The booming technology companies in California had their cultures – filled with chest thumping, bravado, and sky-high compensation. By contrast our operations in places like Cincinnati and Milwaukee were made up of hard working, down-to-earth engineers, most of whom were graduates of state universities in the Midwest. These engineers were every bit as good as the west coast talent, and they were paid less well but not outrageously. Frankly, I didn't want to pollute the healthy culture we had. Every deal affects the acquiring company's culture in some way, and you have to think about what is going in. The acquired company's culture can blend nicely with yours. That's the best case. Sometimes, a few of the acquired company's bad behaviours creep in and pollute what you've built. That's bad enough, but in the worst case, the acquired company's culture can fight yours all the way and delay the deal's value indefinitely. That's the way you want your merger to work, don't just look at strategic fit. Cultural fit counts just as much," (*ibid.* 226-227).

(3) Beware a reverse hostage situation: An acquiring company should not make too many concessions during negotiations, so that afterwards the acquired company ends up calling all the shots. 'If you own the company, you must run the show'. If the leader of the acquired company threatens to leave, then a capable replacement must be available to take-over. Things can never be kept exactly the same. Beware of earn-out packages for the acquired company's founder or CEO, hoping to get retention and great performance of an important player in return – as these motivate their recipients to keep things the same. *"He will want you to run the business the way they always did – that's how they know to make the numbers. At every opportunity, they will block personnel changes, accounting systems consolidation, and compensation plans – you name it. But an integration will never happen if there's someone blocking every change, especially if that person used to be the boss...if you absolutely want to keep the former CEO or founder around for reasons of performance or continuity... Offer a flat-rate package retention deal instead – a certain sum for staying a certain period of time,"* (Welch, *op cit.* 299-230).

(4) Beware of integrating too timidly: A merger should be complete within 90 days. If partnership building is not done right it will create paralysis. Need to avoid uncertainty and avoid thinking that moving slowly and carefully will help. Of course, acquirers should engage in debate about how to combine their ways of doing business, and although the best acquirers are great listeners, they must act quickly.

The process should have a rigorous time-table with goals and people held accountable for them. (Some large companies try to speed the process through special projects teams - see acquisition integration planning.)

(5) Beware of the conqueror syndrome: The acquiring company marches in and installs its own managers everywhere, undermining one of the reasons for the merger - that is, getting an influx of new talent to pick from. 'Think of a merger as a huge talent grab.'

(6) Beware of paying too much: Not 5% or 10% too much, but so much that the premium can never be recouped in the integration. In the heat of the deal, reason can disappear. *"The most egregious recent example of this dynamic has to be the Time Warner-AOL merger, in which a giant of a media company, with real assets and products, spent billions upon billions of dollars too much on a distribution channel with unclear competitive benefits. Amazingly, at the time, there such excitement about an illusory notion called 'convergence' that just about everyone jumped on the bandwagon. It was only after a failure of the deal was obvious that Ted Turner, a board member who was instrumental in promoting it, acknowledged on national TV that he had never liked the deal in the first place. By then, such 'cool-headedness' was too late for Time Warner shareholders. Of course, 2000 was a time when everybody was overpaying for everything...There is no real trick to avoiding overpayment, no calculation you can use as a rule of thumb to know when the sum is too much,"* (Welch *op cit.* 238).

During the last few years there has been a spate of takeovers of UK public companies by foreign owned companies. *"The UK* [stock] *market is one of the cheapest on a global basis, there are limited barriers to entry, it has good corporate governance and transparency and has a relatively benign economy. In addition most UK companies are institutionally owned, unlike Europe where there tend to be more cross-shareholdings and blocking stakes,"* (Simon Warshaw, head of UK investment banking at UBS, cited in Saigol, 2005). Many takeovers have involved private equity (buy-outs). The UK Treasury is reported to have recorded that foreign ownership of British companies has risen from 30 to 50% over the last ten years (Houlder, 2007). The rise partly stems from tax changes affecting pension funds introduced by Gordon Brown, chancellor, in 1997 which removed incentives to invest in UK companies. The pension funds have diversified out of British equities, selling their holdings to foreign buyers.

methodology (see theory, paradigm, heuristic)
A distinction should be made between theory, methodology, and methods. Theory is a representation of understanding based on an abstraction from a reality a methodology is the overall approaches used to derive theory, and methods are the specific means employed to observe, collect, and analyse data. Different methodologies rest on different ontological and epistemological assumptions. How a researcher chooses a methodological approach normally depends on the subject perspective in which they belong.

Ontology is the study of the essence of phenomena and the nature of their existence, including the nature of knowledge itself. Epistemology is the study of the criteria by which knowledge is constituted, such as the basis for the different social science perspectives. Sometimes the sociological nature of an epistemology (or a school) is described as a paradigm (following Kuhn 1962).

Some of the more important methodologies include positivist approaches, where formal propositions are proposed to test *a priori* relations between constructs. These belong to a scientifically-based experimental tradition, and involve testing dependent and independent variables under controlled conditions. This tradition may be associated with separate survey, and axiomatic, approaches. More pragmatic approaches can involve open interviewing, case studies, and focus groups. However, these are typically more involved with ethnographic traditions, which include interpretive studies of social discourse and interactions. These can involve researchers as participants in the activity under study. There are also methodological approaches which use critical studies to examine taken-for-granted, or hidden, assumptions; these range from philosophical-oriented work to studies of a postmodern tendency.

Where disciplines are primarily involved with subjects that can be generally measured, then positivist approaches are more likely to be used. On the other hand, when measuring is difficult, as in studies of open, changing, or complex, systems, then approaches are more likely to be interpretative and based on case work. The former, is strong on external validity, or the generalisability of the research findings, and involves quantitative research methods. The latter, however, is strong on internal validity, or the integrity of a particular research object and the specific nature of how it works, and involves qualitative methods.

Some subject disciplines, which include management and organizational studiers research, use both approaches. This is sometimes done in a single study: when qualitative exploratory case work is used first to identify and clarify constructs; these are then used and reformulated as operational hypotheses for testing in a quantitative survey of a wider population. Quantitative methods can make use of statistical tests to check the significance and external validity of findings. Qualitative methods, on the other hand, rely on more subjective judgement, and sometimes make use of reflexivity. This involves an assessment of the influence of the process of the research itself (and researcher) on the research objects (especially respondents). Normally, a researcher will write a reflexive account to qualify and comment on how the nature of the research has significance for the interpretation of the findings and conclusions.

Some authorities refer to mid-range thinking (see theory), which is a pragmatic methodological position halfway between research that produces generalisable findings with a wide application, and research producing findings that are only partially useful or which serves some specific purpose. The methodological approach used for the UEA hoshin kanri research is an example. This was a longitudinal tracer approach that identified an organizational phenomena (a hoshin objective) to trace in real time as it made its way across an organization; to see how people managed hoshins (Chau & Witcher, 2006). This methodology corresponds to the strategy-as-practice view, which focuses *"upon situated activity as the common thread holding actors together, and seeks to understand the shared practices and interactions through which that activity is constructed… This is the basic 'premise' of the activity-based view (Johnson et al. 2003),"* (Jarzabkowski, 2005: 28).

micromanaging (see leadership)

This happens when senior management becomes involved in the detail of daily issues. This can work in ways that diminish people's self-confidence and saps initiative; it may also take a senior manager way from giving attention to more strategic matters. However, in a crisis particularly, it can turn out to be right. Senior managers should intervene in time to bring things back under control before things escalate.

middle management (see management, functional management)
Middle management is placed between an executive and senior management level, and an operational level. Following Chandler, middle managers are the ones who manage corporate divisions, while senior managers run the centre and the corporation as a whole. More generally, though, the term refers to the middle tier of a hierarchical pyramid between senior management and operations. Middle management is crucial as it is at the crossroads of various information channels, where it deploys strategy down to operations and provides feedback to senior management.

Floyd & Wooldridge (1996) identified four key roles for middle managers. These are facilitating new behaviour (making sure the organization is open to new ideas, especially from the marketplace); synthesising information (interpreting what it means for organizational strategy); championing new initiatives (filtering ideas, presenting to senior management); implementing strategy (transferring ideas into action). They maintain that downsizing can lose a vital strategic capability: *"The costs can be enormous when the job cuts cause companies to lose experienced people who know how things work. The Cullen inquiry into the rail crash at Ladbroke Grove in London in 1999, in which 31 people died, testified to that. The inquiry heard evidence that specialists had lost their jobs after British Rail was privatised in 1996 and that middle managers who remained* [in Railtrack] *did not understand what their staff did each day. Many new recruits to jobs where safety was at stake were inexperienced or inadequately trained and a loss of 'corporate memory' led to inconsistency and confusion over procedures for drain drivers,"* (Maitland, 2001).

Reporting a study, Guth & Macmillan comment that low or negative commitment of middle managers to the strategies of senior management create significant obstacles to effective implementation (1986), *"few middle managers articulate the same goals as their superiors...middle managers who disagree with strategic initiatives frequently work against their implementation,"* Floyd & Woodridge (1992a: 28).

mid-term plans (see strategic planning, planning, cross-functional structure)
Mid-term or medium-term plans are expressed as a series of annual targets for year 1, year 2, year 3, and so on, for 3/5 years hence. They usually consistent of grouped objectives, sometimes using QCDE, or if the targets are derived from a balanced scorecard they may be grouped into the four perspectives as KPIs. Hamel & Prahalad (1989) refer to them as challenges when they explain strategic intent. Mid-term plans belong to the implementation part of the POSIES model. To get a feel for how they fit into the larger picture of strategic management and the deployment of strategic programmes (or policies), see below.

Miles & Snow typology (prospector, analyser, defender, reactor)
The work of Raymond Miles and Charles Snow (1978) has been very influential for strategy research (Desarbo *et al*. 2005). They suggested that the interaction of

organizations with their environments resulted in four types of 'adaptation strategies' (prospecting, analysing, defending, and reacting) to solve three basic problems: an entrepreneurial problem of how to choose a general and a target market, an engineering problem to decide the most appropriate means to make and offer products and services, and an administrative problem of how to organise and manage the work. Prospector companies put an emphasis on new opportunities and 'doing the right things', so that growth comes through new markets. They use a variety of technologies and are characterised by flexibility. Co-ordination and facilitation are important and planning is done broadly rather than in detail, where 'short horizontal feedback loops' are important. Defenders aim at a narrow market and are inclined to concentrate mainly on the engineering problem, 'doing things right', making what they do better and concentrating on core technologies. Control is relatively centralised with 'long-loop vertical information systems' and specialised departments, with finance and production functions dominant. Analysers are a mixture of the two. Reactor strategy is a response to change that is inconsistent and inappropriate. A main reason might be a mismatch in the management of the three problems. Miles & Snow also suggested that a 'market-matrix' might allow organizations 'to pursue mixed strategies with mixed structures', where existing departments might facilitate project management.

military strategy (see strategy)
Many writers assume that strategy has its earliest meanings in military matters. A Greek word, 'strategia', signifies generalship. The earliest contribution to thinking that is still cited widely today is Sun-Tzu, a military strategist of the fourth century: his maxims are published in *The Art of War* (Sun-Tzu, 1963): an example is *"all warfare is based on deception"*. In fact metaphors of war pervade the strategy literature; for example, competing against a rival has been seen as analogous to fighting an enemy in a war.

Liddell Hart (1967) reviewed wars and battles since the ancient Greeks, and gave prominence to the ideas of Karl von Clausewitz's book, *On War* (1833); he was a Prussian general, who is credited with the observation that 'war is the continuation of political relations by other means' - he saw strategy as a war plan to link together the actions that will produce the final outcome. Liddell Hart concluded that strategy is 'the art of distributing and applying military means to fulfil the ends of policy'. Miyamoto Musashi writing in Japan for samurai warriors gave a good reason for studying strategy: *"If you are thoroughly conversant with strategy, you will recognise the enemy's intentions and have many opportunities to win,"* (1645: 74). The seven quality tools were modelled after the seven weapons of Benkei, a samurai warrior in the twelfth century. If you substitute 'competitor' for 'enemy' then you get the idea what this view of strategy is like.

In the heat of battle, it is leadership and tactics that matter, but strategically, it is preparation that is vital. For example, military experience emphasises the importance of strategy in relation to logistics. The Duke of Wellington's tactical abilities in the field were only possible because he had put in place an effective logistical system. A strategically organized system will give people at an operational level an ability to make their own local decisions.

It is likely that many of the basic ideas for managing probably evolved from public administration of policy, which included thinking about imperial, military and naval strategy. This is because the largest secular organizations were originally state-sponsored.

mission (see purpose, stakeholders, values, values-mission disconnect)
A mission is expressed as a documented statement of the organization's present main activities. *"A statement that describes the basic purpose or raison d'être of an organization. It describes why the business or function exists,"* (EFQM, 1999). Mission is a statement, or series of statements, about what an organization does, and why. It normally covers the scope of activities and will sometimes specify these in the context of the needs of to its main stakeholders. A mission statement is useful to formulate a business model (those core areas/activities of the business that are central to mission).

Sometimes a mission is seen as the main purpose for an organization and with aspirational qualities: for example, in the words of Jack Welch, the mission at GE: *"From 1981 through 1995, we said we were going to be 'the most competitive enterprise in the world. By being No. 1 or No. 2 in every market – fixing, selling, or closing every under performing business that couldn't get there. There could be no doubt about what this mission meant or entailed. It was specific and descriptive, with nothing abstract going on. And it was aspirational, too, in its global ambition,"* (Welch, 2005: 15). Welch was saying that this is what the corporation does. He noted that this mission was often mistaken by outsiders for GE's strategy (in fact, GE's strategy was more directional, see strategy). Welch does not write about a GE vision, but GE's mission has aspects of 'vision' (see vision) and stretch. He emphasises the power of a mission to excite and motivate people to stretch their efforts; an effective mission statement, he thinks, should balance the possible with the impossible.

Many organizations have purpose statements that combine statements about what an organization presently does, and what it hopes to do. This has probably caused a lot of confusion. What should a mission, rather than a vision, do? Some observers point out that a statement should capture the organization's identity, as well as conveying a sense of excitement to employees, and serve to proclaim the excellence of the company. However, a mission statement must be exaggerate, over-sloganise, or consist of platitudes and motherhood statements. Campbell *et al.* (1990) argued that mission must be expressed simply and concisely, to make it clear to everybody what it means. To improve clarity, organizations sometimes deploy a hierarchy of mission statements across different levels of the organization.

Some maintain (including Welch) that a mission should define its competitive uniqueness, While a mission can take the form of a propositional (say, a total value proposition) statement, competitive difference is an enabler about the 'how' of achieving a firm's purpose and is more properly about a strategy to achieve a mission (or a vision). Campbell & Yeung (1991) proposed a broad view of mission, which incorporates purpose, strategy, behaviour standards and values: but this seems to mix up the important differences for effective strategic management, between mission, vision, values, and purpose.

monitoring systems (see PESTEL, scenario planning, review)

Organizations need early indications and warnings about future changes, especially those that are different to what are presently expected, to be able to confront them quickly. To be able to see what is coming, organizations must be able to look out of the window as far ahead as possible. Monitoring systems should be used to pick up warning signs (as well as opportunities) and the internal environment must be open and conducive to encourage alternative interpretations. *"It's all too easy for a corporate leader to say, 'Don't give me any more bad news. Just go and fix it...But you have to beat back that kind of attitude and create an atmosphere where people feel they can talk about the forecast, how they can improve it, and what resources they might need,"* (Kerry Clark, CEO at Cardinal Health, reported in Carey *et al.* 2009: 4).

moral hazard (see organizational economics)

motivation (see incentives & rewards, objectives, MbO, scientific management)

Locke (1968) in a series of laboratory studies put forward a theory of goal setting as a process theory of motivation. His ideas were supported by a series of field studies that tested the linkage between goal setting and performance (Latham & Yukl, 1975). Locke's work proposed four main propositions: (1) specific goals are better than vague or general goals such as 'do your best'; (2) difficult or challenging goals are better than relatively easy, mundane goals, but these must be reachable and not so hard that they would frustrate; (3) owned or accepted goals arrived at through participation work better than assigned goals, although managerially assigned goals that are adequately explained and justified can also lead to high performance; (4) objective, timely feedback about progress toward goals is preferable to no feedback. The positive feature of goal-setting theory is the clarity of the practical management implications (Locke & Latham, 1990): (1) goal difficulty – set goals at levels which will stretch employees, but not beyond their limits; (2) goal specificity – express in clear and precise language, if possible in quantifiable terms, and avoid vague and ambiguous goals; (3) participation – allow employees to rake part in the goal setting process to increase acceptability and commitment; (4) acceptance – if goals are set by management then must ensure they are adequately explained and justified so that those concerned understand and accept them; (5) feedback – provide information on the results of past performance to allow employees to adjust their behaviour, if necessary, to improve future performance. There are clear implications for the design and conduct of staff appraisal systems and for MbO (Huczynski & Buchanan, 2001).

muda (see lean production, value stream analysis)
muddling through (see incrementalism)
multi-channel organization (see customer relationship management)

multi-domestic strategy (see global-level strategy)

This is one of the four strategy approaches for global-level business; it is used by organizations to supply different products and services to different markets in different countries.

multinational corporations (MNCs) (see global-level strategy)
national culture (see productivity, Japanization)

nemawashi (see catchball, groupthink, hoshin kanri)

According to Monden (1998), *"The original meaning of nemawashi comes from the preparations for transplanting a large tree. You must dig around the roots and cut the big roots to influence small roots to run and secure new positions. Nemawashi, as applied to business, relates to the persuasion of related individuals, such as management executives, to accept a proposal before a formal decision meeting,"* (251). Alston (1986) wrote that *"it involves achieving agreement before members (at a meeting) meet together. A formal meeting occurs after agreement has been achieved, not before. The initiator or sponsor of a particular project will informally and behind-the-scenes present his ideas and meet any objections as they emerge...prevents conflicts from becoming public,"* (300). Alston argued it is a way to maintain employee morale and that harmonious relations remain undisturbed: *"The process of making a decision must contribute to the workers' morale as well as solving a problem,"* (299).

It is an informal consultative activity designed to explore the feasibility of actions to lay the groundwork for people not just to agree, but also to raise, informally, disagreements about issues. It is virtually continuous among peers, between levels, and between units in an organization. The essence is not about agreement, but about understanding tasks in the context of understanding each other. This makes it possible for everybody to rely on and communicate with each other. In Japanese hoshin kanri nemawashi provides a foundation for catchball, which is a mixture of formal and informal consensus building during the planning process. Agreement is different to consensus and has a stronger meaning. It is traditionally linked to the circulation of a ringi-sho. This is a formal document that must be stamped by each participant to an agreement to signify assent. The purpose is to build consultation and the circulation usually starts with subordinates, but it is only signed when it is known that a superior agrees. Yoshino (1975) argued that the ringi system is related to a *"strong emphasis the Japanese have traditionally placed on implicit understanding. One such consequence is an aversion to explicit definition of organizational goals and policies, and their strong preference for dealing with each major decision on an individual basis as the need arises, evaluating it on its own merits. It is bottom up in the sense that the need for decision is first recognised by those at the operating level, typically the middle management...a final decision emerges in this process of group interactions rather than being made explicitly by an individual who occupies the formal leadership role...carried through rather subtle, informal, interpersonal interactions...the leader participates with his subordinates in the decision-making process,"* (158-159). Yoshino stressed the importance of informal personal relations and an environment that is conducive to this, and the establishment of a *"shared understanding and values among participants,"* (160).

These assertions are echoed in later western commentaries, notably Ouchi (1981) and Pascale & Athos (1982). Nemawashi prolongs decision-making, but Drucker (1971) and Ansoff (1984) argued that while the preparation for a decision can take a long time in Japan, its implementation is quicker making the overall process a shorter one. Ansoff (1984) wrote: *"Coming from a culture which places a high premium on decisiveness...[American managers] are frustrated by an apparent disregard for speed in decision making exhibited by their Japanese counterparts...surprised to learn...[that the Japanese] frequently launch certain implementation steps [before a decision point is reached]...once a decision is reached, implementation of the*

Japanese commitment is likely to proceed faster and with less resistance than for the Americans," (426). This is because the people who carry out the work will have been part of its planning. They will understand why a decision's requirements are necessary and therefore act quickly to resolve implementation issues when they arise.

Porter *et al.* were critical: *"Such a* [consensual] *process has important adverse consequences for strategic positioning. First, the need to obtain so many approvals almost guarantees that bold or distinctive strategies will not be pursued. The chances of making choices and trade-offs* [see competitive strategy] *that favour one unit or division over another are minimal. Second, once so many have signed off on a decision, it is very difficult to exit unsuccessful product lines or businesses,"* (2000: 163).

One should also note that while consensus has its advantages, there are also problems associated with groupthink. It has also been suggested that nemawashi can be used in a conspiratorial way to choose options that are influential rather than useful, and it is possible that a consensus can be agreed in ways that prevent people being blamed if the decision turns out to be faulty, (Milliken & Fu (2003). Also nemawashi should not necessarily be applied to every decision. At Nissan in Japan the CEO, Carlos Ghosn, observed *"The goals* [of the Nissan revival plan] *and the timetable for reaching them weren't negotiable, but...the question of execution was the subject of wide-open debate,"* (Ghosn & Ries, 2003: 111).

networks (see structure, platforms, Internet)
When an organizational structure flattens, perhaps through downsizing, or simply re-organization through BPR and an adoption of process organization, the top-down chain of communication and the management of company-wide issues are weakened. Networks are a solution. These are comprised of informal groups of individuals, who are typically based in distinct and different parts of the organization. They are often specialists: at Xerox cross-functional networks of specialists, such as quality managers located in different units, organise themselves to discuss issues of mutual interest (Witcher & Butterworth, 1999). To some extent nearly all organizations have informal networks and as such they are not usually alternatives to formal structure, but form an overlay that cuts across formal structure. Whereas hierarchical structure is indicative of authority, lines of command and reporting, networks are typically about the communication of information and support. This can involve cross-functional working such as project and improvement working.

Networks also exist between organizations. For example, *"Companies like Nike, IKEA and Intel have made collaborative networks the corner stone of their competitive advantage. Nike subcontracts all its manufacturing and is primarily the orchestrator of a brand. IKEA also sub-contracts its manufacturing to keep costs to a minimum, and indeed persuades its customers to assemble furniture themselves in return for exceptionally low prices. Intel is the hub of a different kind of business network, through being the platform leader. It achieved its dominant position in the PC and related industries, not simply because IBM chose its microprocessor as the (open) standard in 1982, but because it was subsequently able to orchestrate the evolution of the hardware platform. Defining an architecture that allowed its chips to realize more of their potential and stimulating the development of new applications*

encouraged communities of other suppliers to develop new products and services with that architecture," (Levis, 2009: 380).

new product development (see product life cycle, innovation, design)
The importance of successful products (how long they last, the need to renew) is evident in the motor industry. The current problems of Ford are in part now a falling off in demand for its Explorer, America's favourite sport-utility vehicle, as fuel prices and intensifying competition rise. Ford spearheaded the transformation of the pickup truck from a working to a domestic vehicle. The F-Series truck remains the US's top selling vehicle (double the sales of the Toyota Camry, the most popular US car). However it has taken its eye off the bread and butter car market, allowing the Taurus, once the best selling car, to age and damaging its brand by pushing it into the care-rental and other fleets businesses. It has seen its Lincoln, the US luxury car, also move down market as an airport taxi and fleet limousine vehicle. Ford had built a global luxury car group (Jaguar, Aston Martin, Volvo, and Land Rover) which continues to lose money. The situation at Ford contrasts with Fiat, which introduced a successful new model, the Panda city car and the Punto hatchback. Ford have appointed an outsider as a new CEO, Alan Mulally, who at Boeing led the development of the 777 aircraft, its first model in 15 years, and convinced the board to press ahead with the 787, which uses carbon-fibre to reduce weight and more fuel efficient engines, and which contrasts with the 1990s new model attempts to produce places that were faster). (Simon *et al.* 2006).

The best product does not necessarily win. Sony's betamax video cassette recorder was at least as good a product technically, as its successful rival, the VHS standard. Sony *"could have licensed its designs widely, dumbing-down its proprietary technology in the interests of acquiring greater market share faster. However, this would have compromised Sony's ability to capture a greater share of the value it created. In other words, Sony chose a bigger slice of a smaller pie, concluding this would be more valuable than a smaller slice of a larger pie. Sony's choice was the wrong choice, but that only became clear after nearly a decade of competition with Matsushita's VHS standard, which was commercialised using the opposite strategy – widespread licensing and a lower-cost, lower quality design,"* (Raynor, 2007: 5).

new public sector management (see public sector management)
niche strategy (see competitive strategy)
nine-cell industry matrix (see strategic portfolio analysis)

non-executive directors (see corporate governance)
Directors of a board, but who have no involvement in the management of the organization.

non-profit organizations (see social business, public sector management)
Non-profit, sometimes called 'not-for-profit', covers those organizations whose purpose is a mixture of primarily social, rather than commercial. This includes registered charities, educational institutions, professional bodies, campaigning organizations, and public or quasi public sector organizations. Drucker (1990), writing from an American perspective, sees 'government' (and the public sector) as a distinct and separate category from non-profit, although he includes schools and hospitals in this sector. Usually these organizations aim to make a surplus of revenue

over expenditure that is used to benefit a target group or activity. These often function in competitive environments: for example, charities compete for a given amount of available money, while others may compete for beneficiaries, such as a university does for students and research funds. Non-profit organizations can thus use competitive strategy. However, ethics and ideology can be especially important and 'competition' may seem inappropriate; so, for example, a charity might place an emphasis on collaboration and partnerships with other (rival) charities, to a degree that might not be so possible for commercial organizations; for example, rivals that compete in regulated markets may have to be careful that co-operation is not mistaken for collusion. Also the meaning of 'customer' is often ambiguous: in the commercial sector customers pay directly for products and services, but in the non-profit case donors or other sources pay to help cover the cost of resources, while others, such as 'clients', receive the direct benefits. In this case, 'value' may be perceived differently to sponsor and client (not always positively in the latter case). Thus the role the difference in stakeholder perceptions must be accommodated in the strategic management of non-profit organizations. It is possible that strategic choices are less important to non-profit organizations because these are not subject to the discipline of the capital markets, but even then they still need to manage realistically (Rangan, 2004).

not-invented-here mind-set (see innovation, best practice)

objectives (see balanced scorecard, strategic objectives, management by objectives)
An objective is a statement of an outcome to be achieved. A common mistake is to confuse purpose with objectives. Purpose is the reason for something; objectives are indicators that are used for managing purpose. Broadly, there are two main kinds of strategic objectives in strategic management: objectives that provide direction and measures of transformational change, and objectives that measure the (typically cross-functional) fitness of the organization for its purpose.

Objectives and Strategy: An objective is a desired result from a planned action or activity, or it can be an indicator of a desired condition for a planned action or managed activity for achieving a desired result. For strategic management there are broadly three hierarchical levels of strategic objectives: primary objectives, which are designed to monitor and review a company's and organization's long-term effectiveness for achieving its overall and longer-term purpose; intermediate objectives, which are designed to translate and implement primary objectives as objectives for policies, mid-term plans and functional programmes; and daily management objectives, which are designed to execute longer-term objectives as priorities for action and activities.

The Nature of Objectives: Objectives should mean something that is clear to the people who must devise the strategy and means to achieve them, and to the people who must manage them. Objectives must be linked to realistic measures of progress and achievement so that those managing the objectives will know in enough time to intervene and make appropriate changes to work when necessary. Objectives can also form a basis of a common language for understanding the wider context for any part of work, particularly for the knock-on effects of objective management and should involve agreement with others whose own objectives could be affected. This

implies common ways of working that are based on dialogue and consensus, and objectives that are transparent and can be understood by third-parties.

The management thinker most associated with objectives is Peter Drucker (1955), who argued persuasively that objectives liberate managers by making things clearer about what has to be done and that this makes work easier. *"Each manager, from the 'big boss' down to the production foreman, or the chief clerk, needs clearly spelled-out objectives. These objectives should lay out what contribution he and his unit are expected to make to help other units obtain their objectives. Finally, they should spell out what contribution the manager can expect from other units towards the attainment of his own objectives. Right from the start, in other words, emphasis should be on team-work and team results,"* (124).

It is commonly noted that objectives should be SMART: Specific, Measurable, Action Oriented (some might use Agreed Upon), Realistic, and Time-bound. The idea is that to be meaningful, objectives must have these attributes. While SMART holds for a lot of conditions, of course, it does not determine anything about what to measure, and it assumes knowledge – SMART is necessarily smart. Also, in practice, objectives *can* be usefully general, intangible, and ambitious in a vague and visionary sense, especially if the strategic intent is to provide a psychological space that accommodates diversity and creative thinking. However, in general objectives do need to be grounded in reality if they are to mean anything.

The following points should hold for effective objectives:
- Objectives should be few enough to be manageable, so that the means and measures to achieve them will not become too numerous and mushroom out of control
- Objectives should not seem meaningless to people who must manage them
- Objectives should be reviewable in ways that make it possible to learn from experience
- Objectives should not be based on traditions, conventions, *if* this distances them from real issues that require resolution
- Objectives should not be remote from daily issues, *if* this means that their relevance is lost sight of at operational levels and the possibilities for improvement are lost
- Objectives should reflect strategic priorities so that managers are focused on the things that matter to the organization as a whole
- Objectives should always be set in propinquity, so they do not conflict with, compete against, each other, or prove to be mutually exclusive
- Objectives should not be based on pet projects or sectional interest to the exclusion of activities that are core to effectiveness and the achievement of longer-term purpose
- Objectives should not be developed in isolation to the means and measures to achieve them, and should include the agreement of those of must carry out the means and measures

Peter Drucker (1955) argued that objectives (including effectiveness criteria or efficiency indicators) must be linked to overall objectives: *"objectives should always derive from the* [overall objectives of the] *business enterprise...For it is the definition of a manager that in what he does he takes responsibility for the whole. The*

objectives of every manager should spell out his contribution to the attainment of [overall objectives] *in all areas of the business. Obviously, not every manager has a direct contribution to make in every area. The contribution which marketing makes to productivity, for example, may be very small. But if a manager and his team are not expected to contribute towards any one of the areas that significantly affect prosperity and survival of the business, this fact should be clearly brought out. For managers must understand that business results depend on a balance of efforts and results in a number of areas. This is necessary both to give full scope to the craftsmanship of each function and speciality, and to prevent the empire-building and clannish jealousies of the various functions and specialities. It is necessary also to avoid over-emphasis on any one key area. To obtain balanced efforts the objectives of all managers on all levels and in all areas should also be keyed to both short-range and long-range considerations. And, of course, all objectives should always contain both the tangible business objectives and the intangible objectives for manager organization and development, worker performance and attitude and public responsibility. Anything else is short-sighted and impractical,"* (124-125).

Deployment: Herbert Simon (1948) first wrote that organizational goals should be set by senior management and then broken down into sub-goals at each level of the organization. In this way each lower-order goal becomes a means to a higher-order goal. For classical strategic planning there is a hierarchy of objectives: corporate objectives apply to the whole organization, and these are used or translated for the deployment of lower-level sub-objectives, typically using a form of MbO. At an operational level, objectives are typically called targets. Corporate objectives or 'aims' are often referred to as goals. However, terms such as goals, targets, aims, objectives, get used interchangeably. So they should always be considered in the particular context of how an author or practitioner uses them.

Robert Simons (1995b: 81-84) summarises a number of dysfunctional side effects of poor objective and measures setting. If the wrong things are measured, or the measures themselves are vague, then people may be motivated to spend too much effort on the wrong things: in Simons' colourful words, *"if measures and targets are incorrectly specified, the organization may march of a cliff,"* (81). Other dangers include building slack into targets to make them easily attainable and gaming when participants manipulate objectives and measurements to enhance rewards. The ways of distorting objectives and measures are many and include:

- smoothing the data out over time to hide critical events
- biasing to present only favourable data and omitting to record unfavourable data
- illegal acts, such as the violation of rules and procedures

These influencers may intensify if objectives are driven by rewards and penalties to seriously negate continuous improvement, which requires openness and proactivity in solving issues. At Toyota, for example, objectives are not linked directly to rewards, but improvement is built into work through a TQM-led process management, which ensures under-performance is not blamed on people. Instead it is regarded as a process issue and an opportunity for an evaluation and review of the objective itself.

Intense and unreasonable demands on people can lead to gaming and other dysfunctional activity. Objectives can prevent people from doing their work as they might want, so that they become demoralised. Managers then treat people as though

they are part of the problem. People will have to go home knowing they failed to reach their targets. They know in their hearts they had done their best but their performance had been governed by the system.

The Influence of Local Objectives: Another distinction should be made between corporate-wide and local strategic objectives. There is a natural tendency for managers to react more positively to short-term rather than longer-term objectives. Many fundamental changes require time to *"achieve long-term aims, it is necessary to develop operating objectives that purposely translate strategy into manageable short-term pieces for implementation,"* (Hrebeniak & Joyce, 1984: 110). Also business units, especially SBUs and functional areas such as a large department, are likely to have their own longer-term strategy based on their specialist needs and circumstances. During the implementation and execution of longer-term corporate objectives and strategy into local business plans and shorter-term activity, it is necessary to ensure that local objectives and strategy are aligned with the overall ones.

Realism and practicality are important for motivation: Ideally, objectives should clarify what has to be done, but it has to be recognised they are often subjective and rely on personal judgement, typically of a superior. An objective should not be plucked out of the air as a nice thing to have – it usually means that behaviour must contort to try to achieve it. There is no reliable method for setting objectives except to develop objectives within an open understanding of the current way of doing things. Objectives and their measures need to be derived from the work itself. Nemoto (1987) noted for objectives determined within hoshin kanri at Toyota in Japan: "[they] *must be determined through necessity alone...*[objectives] *which are necessary for management success must be attained...are there to challenge people, and cannot be regarded merely as previews of things yet to come,*" (46).

An objective in this sense is born out of a necessity to solve a current and real issue, and ways must be found to solve it as soon as possible. Objectives should be grounded in the investigation and proof of need, rather than the possibility of an objective's achievement for its own sake. This makes the objective less likely to be the wrong choice, and its measures will mean something real to those who implement them. Even stretch objectives should be practically thought out to clarify their implications.

Objectives and Motivation: Matthew Leitch (2003: 36) argued that objective setting must take into account the behaviour of people:
- People's estimates tend to be optimistic. There are a number of psychological reasons for this, and it is very difficult to counter. Realistic decisions should be made on evidence from similar projects and how these consumed resources.
- People respond to objectives but slacken off or do other things if they are near to achieving the objective. It is unlikely that more than the objective will be achieved. People also respond to the progress of others on the project and many know they will only get serious criticism if they are the most delayed member of the team. These things tend to only an average performance.
- Many estimates given to superiors by subordinates will have a large and undisclosed element of contingency built in. Each layer of management involved in preparing an estimate for an objective adds a little bit of contingency, just to

give a margin for error, but without saying so. The combined effect can be considerable and often goes unrecognised.

- The ownership of objectives, or forcing estimates from people, before one can be certain the objectives are unrealistic, can make people ignore (or fail to look for) risks. People do not talk about the risks and ultimately objectives may fail, sometimes in a catastrophic way if people hide the truth from higher levels.
- However, using a range of outcomes for an objective conveys a message that management will be content with the lowest level of performance in that range, and so people will tend to aim for that.

Leitch proposed three fundamental questions for senior management:

- How can a senior level determine the ownership of an objective, without it leading to a distortion of the objective?
- How can a senior level manage an open approach to uncertainty and possible failure?
- How can a senior level encourage people to avoid the use of unrealistic estimates of outcomes?

One-Way Top-Down Objectives are Demotivational: Mintzberg (1994) argued in his critique of the Lorange (1980) model of strategic planning that top-down objectives are unlikely to be motivational, but that people throughout the organization should instead be involved in making their own objectives, and these should be aggregated upwards: "[The] *assumption of strategic planning seems to be that objectives are decided upon by the senior management for the entire organization, which in turn evoke the process of formulating strategy, and, themselves, cascade down the structural hierarchy, as devices of motivation and control – that is, to provide incentives as well as means against which to assess performance. But if the objectives truly exist to motivate, then according to behavioural scientists, people have to be involved in the setting of their own ones. So instead of cascading down, objectives have to be made in different places and then aggregated up,*" (71).

Objectives and Fairness: Practicality goes with the perceived fairness of objectives. This is enhanced if superiors and subordinates set goals jointly. Participation by subordinates can allow for what are perceived as reasonable objectives. However, this is far from straightforward as organizational context as well as personalities, are likely to intervene to influence objective setting. Some people will see the objectives in use as the right ones, but many will see them as ones only to work with at the moment. All must work along with the formally adopted group position. Where objectives are tied to incentives, fairness requires allowances for difficulty and ex post evaluations may require allowances for uncontrollable factors.

No Overall and Single Objective: March & Simon (1958) point out that partial ignorance and bounded rationality cause managers to maintain poorly integrated and incomplete lists of objectives - their behaviour is satisficing, rather than optimal. In this respect any single objective is likely be insufficient. A decomposition of objectives into a loosely-integrated set may be a proper response to ignorance and an essential means to maintain the purposes of a working group, (Loasby, 1976). A mechanistic breakdown of a high level objective into its sub-objectives may be less appropriate than to maintain higher level objectives rather as points of reference, which can be used to align objectives developed at lower levels. Thus it is the

propinquity of related and different objectives, rather than their breakdown into lower-level cascades, which is really important.

The idea that objectives should agree and be consistent with each other is termed 'goal congruence'. Classically, this suggests a deployment hierarchy of cascading objectives (as for MbO), top-down, and when it becomes possible to see how the achievement of a sub-objective helps fulfil a part of a higher-level objective from which it is derived. There are two extremes: (1) a tight top-down control involving a mechanistic breakdown of high level objectives into their component parts, and which acts to narrow the choice of means to achieve the objectives at a local level (although some degree of freedom is always possible); or (2) a loose top-down control, when high level objectives are used only as a frame of reference to align objectives and means at other levels, where local decision-makers will have the freedom to develop the objectives as well as the means to achieve them.

Objectives are about Enablers as well as Results: Ansoff (1965) argued that objectives are necessary because of partial ignorance. The longer a time horizon, the greater that ignorance is likely to be and the more doubtful become the accuracy of measures as indicators. He suggested that an answer is to abandon efforts to measure long-term profitability directly, and to measure instead the characteristics of the firm which contribute to it. This is consistent with a distinction made by Kaplan & Norton between lagged indicators of past work (e.g. current business results, employee satisfaction), and lead indicators as measures of activities that will produce the desired results in the future (e.g. investment activity, staff development). Both kinds of indicators are necessary.

Writing about the complexity of objectives used in public services, Herbert Simon (1976), observes the importance of stating objectives as expressions of relatively final ends. If, otherwise, objectives are specified in terms of intermediate goals, there is a danger that the decisions that are influenced by these will continue to persist when that intermediate objective is no longer appropriate. The value, he noted, which public services seek to realise, are seldom expressible in concrete terms; for example, 'to improve health'. *"If value-indices are employed as criteria in lieu of the values themselves, the 'ends' are likely to be sacrificed for the most tangible means – the substance for the form,"* (176). This situation is compounded: *"When goals are vague or ill defined, effectiveness criteria may themselves become substitutes for* [overall or strategic] *goals, particularly when they are more precise and suggest concrete actions...*[so e.g.] *when the effectiveness of police departments is defined...*[by] *the number of tickets written, or the percentage of arrests resulting from convictions – the measures may create informal quota systems* [so that] *without regard to their larger mission, police workers may gear their activities to improving rates,* [rather than crime prevention as such]*"* (Kanter & Summers, 1994: 222-223).

Personal Objectives: Cyert & March (1963) theorise the firm as a collection of 'coalitions', which are groups of individuals from different functional and temporal bases, which work together, but are motivated by their own objectives. In fact, organizations may have many goals. These may be inconsistent, contradictory, and incoherent. It is often unclear at what level or in what units different goals should be measured. This is one reason why financial indicators are appealing - it is often hard to get consensus beyond these. The job of strategic management is to understand

how people work together and to influence working so that overall the organization will achieve its longer-term purpose.

Simon (1976) wrote *"the goals that actually underlie the decisions made in an organization do not coincide with the goals of the owners or of top management but have been modified by managers and employees at all echelons. Must we conclude, then, that it is the goals of the latter – of subordinate managers and employees – that are governing organizational behaviour? Presumably not, because the kinds of behaviour taking place are not those we would expect if the managers and employees were consulting only their personal goals…The first step to clarification is to maintain a distinction between goals, on the one hand, and motives, on the other. By 'goals' we shall mean value premises that can serve as inputs to decisions. By 'motives' we mean the causes, whatever they are, that lead some individuals to select some goals rather than others as premises for their decisions,"* (258).

"Objectives in the key areas are the 'instrument panel' necessary to pilot the business enterprise. Without them management flies by the 'seat of its pants' – without landmarks to steer by, without maps and without having flown the route before. However, an instrument panel is no better than the pilot's ability to read and interpret it. In the case of management this means an ability to anticipate the future. Objectives that are based on completely wrong anticipations may actually be worse than no objectives at all. The pilot who flies by the seat of his pants at least knows that he may not be where he thinks he is…management needs to make decisions today for the results of tomorrow," (Drucker, 1955: 84).

OEM (original equipment manufacturer)

OEM or original equipment manufacturer, is a term that refers to containment-based re-branding, namely where one company uses a component of another company within its product, or sells the product of another company under its own brand. OEM refers to the company that originally manufactured the component or product. The term may have been first used in the 1950s by IBM to refer to a vendor that purchased and resold IBM computers.

one-stop shopping (see growth strategies)
ontology (see methodology)
open systems (see cybernetic systems)

operational effectiveness (see competitive strategy, diagnostic objectives)

Operational effectiveness is a term used by Porter (1996). He distinguished it from 'real strategy', which is doing unique things differently and the ability (a competitive position) to sustain it, so that rivals will be unable to copy and compete effectively from a similar position. In contrast, operational effectiveness can be copied or benchmarked, and includes Japanese practices such as lean working and TQM. Porter *et al.* (2000) argued the competitive success of the Japanese results from operational effectiveness. Although western companies have now caught up, Porter argued that Japanese companies continue to compete on operational effectiveness alone, and that a competitive divergence has set in as *rivals imitate one another's improvements in quality, cycle time, or supplier partnerships, competition becomes a series of unwinnable races down identical paths. Because Japanese companies think of competition only in terms of operational effectiveness – improving quality and cost*

simultaneously – they have made it almost impossible to be enduringly successful. The more benchmarking companies do, the more they look alike. Little real innovation occurred…Competition based on operational effectiveness alone is mutually destructive, leading to wars of attrition. Absolute improvement in operational effectiveness does not translate into relative improvement for everyone. If every company offers more or less the same mix of value, customers are forced to choose on price. This inevitably undermines price levels – and devastates profitability. At the same time, competitive convergence leads to duplicate investments and a strong tendency to overcapacity," (1996: 81-82).

The authors argued that if operational effectiveness is applied without difference then it is easy for 'me-too' rivals to compete from outside their industry. Porter concludes his 1996 article by affirming that managers must be clear about the difference between the things that constitute competitive advantage (real strategy), and those things that help manage that advantage (operational effectiveness). *"Managers must clearly distinguish operational effectiveness from strategy. Both are essential, but the two agendas are different. The operational agenda involves continual improvement everywhere* [where] *there are no trade-offs. Failure to do this creates vulnerability even for companies with a good strategy. The operational agenda is the proper place for constant change, flexibility and relentless efforts to achieve best practice. In contrast, the strategic agenda is the right place for defining a unique position, making clear trade-offs, and tightening fit. It involves the continual search for ways to reinforce and extend the company's position. The strategic agenda demands discipline and continuity; its enemies are distraction and compromise,"* (Porter, 1996: 78).

Teece *et al.* (1997), in a discussion of competences and dynamic capabilities, stressed the importance of operational concerns such as economising to strategic management: there are *"definite limits on strategic options, at least in the short run. Competitive success occurs in part because of policies pursued and experience and efficiency obtained in earlier periods. Competitive success can undoubtedly flow from both strategising and economizing, but along with Williamson (1991) we believe that 'economising is more fundamental than strategising…or put differently, that economy is the best strategy.' Indeed, we suggest that, except in special circumstances, too much 'strategising' can lead firms to under invest in core competences and neglect dynamic capabilities, and thus harm long-term competitiveness,"* (528).

In fact, operational effectiveness may be hard to disentangle from strategy in practice since approaches such as TQM are so tied into specific corporate cultures, which it is difficult for a rival to understand, let alone imitate. For example, TQM often requires cultural transformations and fundamental changes in leadership style and these develop slowly. TQM, suggested Powell (1995), is hard to imitate and its form is contingent on circumstances. Grant *et al.* (1994) argued that TQM requires revolutionary change in managing.

More generally within the context of the resource-based view Barney (1991) has suggested that while *"formal strategic planning systems are unlikely by themselves to be a source of sustained competitive advantage…*[they enable] *a firm to recognise and exploit the other of its resources, and some of these resources might be sources of sustained competitive advantage,"* (113). This point of view contrasts with that of

Schoemaker (1990), who argued that strategic planning will not guarantee longer-term economic success if rivals have the same capability. However, it is probably true that the majority of best practices can be adapted to some degree through benchmarking in ways that will assist rivals, and this will tend to diminish these as sustainable sources of competitive difference, but to what extent this can happen is uncertain. After all, many Japanese companies continue to compete effectively, and there is no real sign of the type of competitive convergence that Porter fears.

operations (see daily management, operational effectiveness, standardization)
Conventionally, a distinction is made between managing strategy, and managing operations; Anthony (1965) made a distinction between strategic and operational plans, and he defines operations narrowly, as the effective and efficient management of specific tasks. Sloan (1963) had noted for General Motors the importance of keeping strategy (he called it 'policy') separate from the daily business of operations; this went hand-in-hand with GM's M-form organization, where strategy was essentially a central and top executive activity in which divisional management played only a small part. Whittington claims that the *"evaluation of policy was to become a fundamental hallmark of classical thinking,"* (2001: 12).

The strategy/operations dichotomy is problematic if it distances a senior level from understanding how strategy can be implemented and executed in daily management. It is also questionable if it gives people in functional and other specialised areas a cause to ignore the strategic consequences of their operations. Of course the activities of the top-level of an organization are primarily strategic (say 80%), whereas for other levels only a lesser part of activities are directly relevant. This may be changing as businesses become more devolved, comprised of smaller, team-based and more service oriented units. How daily management is managed strategically may have become more important (see the resource-based view), and the classical distinction between what is considered strategic and what is tactical may be less meaningful.

The real issue could be about how to manage the two together so that they complement each other strategically: for example, Ansoff & McDonnell (1990) observed that *"two complementary activities: strategic, which develops the firm's future potential; and operating behaviour, which converts the existing potential into profits and growth. Strategic management requires entrepreneurial organizational behaviour, and operating management succeeds through incremental behaviour...strategic behaviour and operating behaviour were alternative foci of the firm...During the second half of the* [20th] *century, firms increasingly needed to accommodate both behaviours at the same time. But the social architectures required by the respective behaviours are distinct and different. Therefore, firms will need to develop complex architectural designs which can accommodate both,"* (246).

The possibility of such accommodation has attracted the attention of learning theorists, notably March (1991) on the difference between exploratory and exploitative learning - the former is understood as primarily a strategic concern and the latter as an operational effectiveness one. Porter (1996) makes a distinction between strategy and operational effectiveness: strategy is inimical and unique, whereas operational effectiveness is replicable and while it might improve performance it is unlikely to sustain longer-term competitive advantage. In fact, innovatory (or entrepreneurial) change to improve longer-term competitive advantage

is likely not only to have consequences for existing operations, but also to require strategic control of those operations to ensure that incremental improvement reinforces the change. This might suggest that the difference between strategic and operational management is not clear-cut.

organic organization (see structure, innovation)
organization (see structure)
organization design (OD) (see structure)
organizational capability (see resourced-based view, strategy implementation)
organizational climate (see organisational culture)

organizational (corporate) culture (see corporate image, nemawashi, values)
Organizational culture is the basic assumptions and beliefs shared by organizational members. The term, organizational culture came into prominence as a popular management concept with Schein (1985); although it had been earlier called 'corporate' culture (e.g. Deal & Kennedy, 1982). Schein (1981) had been inspired by the Japanese (this is also evident in references to culture in work associated with the McKinsey 7S framework: e.g. Peters & Waterman, 1982). Schein (1985) argued organizational 'culture' *"should be reserved for the deeper level of basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously, and that define in a basic 'take-for-granted' fashion an organization's view of itself and its environment. These assumptions and beliefs are learned responses to a group's problems of survival in its external environment and its problems of internal integration. They come to be taken for granted because they solve those problems repeatedly and reliably. This deeper level of assumptions is to be distinguished from the 'artefacts' and 'values' that are manifestations or surface levels of the culture but not the essence of the culture,"* (6-7). Artefacts are visible factors, language, and material symbols, while values are the norms and rules that influence modes of conduct.

The formation of an organizational culture is as much a socially worked phenomenon as it is a managed one. Shared values and consistent behaviour as 'a way of working' are important to building communication and consensus, but in so far that they constitute an overall posture for how the organization develops over the longer-term then may be considered a corporate strategy. Culture as strategy places an emphasis upon an organization's interpretative processes, and conditions the way people think about organizational purpose and the strategy used to achieve it (Mintzberg, Ahlstrand, & Lampel, 1998: ch. 9).

The larger the firm, the more likely it is that a multi-organizational culture will be present. Notably in the case of an M-form organization, there are likely to distinct cultures in the different SBUs, especially if each of the SBUs serves distinct and different markets or uses distinctive technologies. For this situation any corporate strategy must be sufficiently comprehensive and robust enough to accommodate cultural differences and allow every SBU, at least to some extent, to align its activities with the corporate needs in its own way. Schein argued there are typically many sub-cultures at work in an organization anyway; he calls these 'clans'. National culture is also likely to be important, especially for an organizational culture of a multi-national.

Organizational studies of culture include much work the nature of social systems and how individuals and groups identify with corporate values: for example, through symbols, organizational stories, and rituals. Stories refer to narratives that people within an organization talk to each other about, especially those things told to new recruits and outsiders. They might not be true in themselves and might not be rationally recognised as such, but they act as slogans to serve to unite people in some consensus of what an organization is about, what it is and what it does. Rituals are similar, but are more formal and have a symbolic content, especially, for example, in recognising, rewarding, and conferring status, all of which can play important parts in a superior's management of subordinates. *"The basic argument of corporate culture writers is that improved corporate performance can be achieved by encouraging employees to identify with, and internalise, a limited number of superordinate corporate values,"* (Alvesson & Willmott, 1992: 458). Senior managers should: *"Figure out your value system. Decide what your company stands for. What does your enterprise do that gives everyone the most prides?"* (Peters & Waterman, 1982: 279). *"A strong culture enables people to feel better about what they do...When a sales representative can say 'I'm with IBM,' rather than 'I peddle typewriters for a living,' he will probably hear in response: 'Oh, IBM is a great company isn't it?' He quickly figures out he belongs to an outstanding company with a strong identity. For most people, that means a great deal. The next time they have the choice of working an extra half hour or sloughing off, they'll probably work,"* (Deal & Kennedy, 1982: 16). In the view of Alvesson & Willmott (1992), these things seem manipulative and ideological if there is no tolerance of employees who question sacred values, 'you either buy into their values or get out' (459).

Hofstede (1980b), (Hofstede & Hofstede, 2005), argued there is no universal management because of the differences in national cultures. He argued there are five dimensions that create these: power distance (degree of inequality a country considers normal), individualism versus collectivism (the extent to which people are cared for, or look after themselves), masculinity versus femininity (dominance, assertiveness, acquisition versus people, feeling, quality of life), uncertainty avoidance (structured versus unstructured situations), and long-term versus short-term orientation (future – saving/persistence versus past and present – tradition/fulfilling social obligations). People have a propensity to think and feel and act from their own experience. Managers should have knowledge of, but also empathy with, local conditions.

Referring to the Nissan-Renault alliance, Magee (2007) gives an example of how the Japanese and French national cultures influenced communications: *"The communication methods and habits within the cultures are so different that even when the same language is used, different understandings can result. For instance, Japanese businessmen often say 'yes' repeatedly when being told something. It is a sign that they understand the dialogue and are absorbing it, not that they approve of what is being said. Imagine the potential for confusion.*
    French: 'We think we need to close a plant.'
    Japanese: 'Yes.'
    French: 'Jobs will be lost.'
    Japanese: 'Yes.'
    French: 'We have no choice. It must be done.'
    Japanese: 'Yes.'

The conversation ends. The French are moving on, making plans to close a plant. The Japanese are only ready to begin considering it, having said "yes" simply as conversational confirmation that they understand what was being said. Confusion never occurred at this magnitude, but cultural communication differences made for some interesting moments during high-level meetings and discussions." (Magee, 2003: 138).

Johnson, Scholes & Whittington (2006) explain their concept of a cultural web, *"a representation of the taken-for-granted assumptions, or paradigm, of an organization and the physical manifestations of organizational culture,"* (201). The manifestations are grouped under stories, symbols, power, organizational structures, controls, routines and rituals – these all constitute a web and at its centre is the organization's paradigm, a *"set of assumptions held relatively in common and take-for-granted in a n organization,"* (200). They give an example for managers in the NHS.

An allied concept to organizational culture is organizational climate: about atmosphere and the management of a corporate identity for employees. Corporate identity is a key component of corporate image, and strongly influences external perceptions of an organization and its activities.

organizational economics (see economics, internal markets)
"Organizational economics is composed of agency theory and transaction cost economics (Barney & Ouchi, 1986). Agency [sometimes called principal-agency] theory holds that many social relationships can be usefully understood as involving two parties: a principal and an agent. The agent performs certain actions on behalf of the principal, who necessarily must delegate some authority to the agent (Jensen & Meckling, 1976). Since the interests of the principal and agent are inclined to diverge, the delegation of authority from the principal to agent allows a degree of under-fulfilment of the wishes of the principal by the agent, which is termed agency loss. Agency theory specifies the mechanisms that will be used to try to minimise agency loss in order to maintain an efficient principal–agent relationship... Transaction cost economics likewise deals with the problem of one economic actor not giving full value to another in an economic exchange (Williamson, 1985). Transaction cost economics provides an analysis of the conditions under which such problems will exist, and specifies mechanisms whereby the transaction can be structured to minimise such transaction costs. If the transacting parties are firms, the analysis is extended to issues of vertical integration, joint venturing, and like specifications of the boundaries of the firm... [Both] *depict managers as inherently tending to act in opportunistic, self-serving, guileful, and lazy ways - at cost to their employers...Organizational economics developed from economics as a way to give a role to management within the market. It thus allowed a role for the visible hand of management within a milieu mainly directed by the invisible hand. However, the visible hand turned out to be a twisted and grasping hand, encased within a smooth velvet glove,"* (Donaldson, 1990: 369-379).

Principal-agency theory argues that the agent has an incentive or tendency to act inappropriately from the view of the principal, if the interests of the agent and the principal are not aligned. The agent usually has more information about his actions or intentions than the principal does, because the principal usually can not perfectly monitor the agent. This possibility is likely to result from 'asymmetric information',

when one party in a transaction has more information than another. These ideas are related to 'moral hazard': this is when a party in a transaction with more information about its intentions or actions behaves in a way that a party with less information would consider inappropriate, or in the extreme, immoral. It arises because an individual or institution in a transaction does not bear the full consequences of its actions, and therefore has a tendency or incentive to act inappropriately, leaving another party in the transaction to take at least some responsibility for the consequences of those actions.

"Arrow (1974) has pointed out, until recently in economics the two major analytical dimensions have been the individual economic agent – be it firm or a consumer – the market – where exchanges among agent take place. In turn, on the supply side economic agents have been typically characterised by production functions, further defined with the help of brave – albeit very dubious – hypotheses on, e.g. return to scale, convexity, free access of all agents to best practice technology etc. In fact the microeconomic theory that one finds in most introductory textbooks still contains a double 'black boxing'. First, no account is provided of the origins and dynamics of the technologies actually used by the agents. Second, very little attention is paid to the internal organizations of micro-entities (typically, firms) and, generally, to all those features of economic coordination which do not correspond to pure market interactions...A lot of work has recently gone into the analysis of 'what is inside the technological black box'... (Rosenberg, 1994): that is, the analysis of the origins, diffusion and patterns of improvements of new technologies. However, the focus here has been mostly on the dynamics in some technology space, with a relative neglect of the organizational forms which develop, adopt and exploit the new technologies... The whole literature on agency theory tends to see the firm as a nexus of contractual relationships. A firm, in this view, is only a 'collective name' for a set of contracts: hence there is basically no black box to open, except to unveil the underlying contracts linking individual agents," (Dosi & Malerba, 1996: 2-3).

A fundamental distinction is made in economics between markets and internal organization (firms). *"The essence of the firm, as Coase (1937) pointed out, is that it displaces market organization. It does so in the main because inside the firm one can organise certain types of economic activity in ways one cannot use markets. This is not only because of transaction costs, as Williamson (1975, 1985) emphasized, but also because there are many types of arrangements where injecting high-powered (market like) incentives might well be quite destructive of cooperative activity and learning...contrary to Arrow's (1969) view of firms as quasi markets...*[when in]* particular, learning and internal technology may well be jeopardised,"* (Teece et al. 517).

Richard Cyert and James March's *A Behavioural Theory of the Firm* (1963) is a key text for the way it opened up to economics how firms operate internally. The book made no direct contribution to strategic management, noting that firms *"solve pressing problems rather than developing long-run strategies,"* (119). It understood the firm as adaptively rational, where its learning and behaviour are conditioned by its experience. An organization's goals are determined through bargaining carried out by coalitions of individuals. In particular the search for and processing of information is subject to distortion, manipulation and misunderstanding. They distinguished between two forms of operating procedures: general choice, and

specific standard. The former are long-term and concern overall principles, while the latter, which tend to stability, can be changed, but only with a concentrated effort – these specific standards create embedded differences in every common task they perform, so that even firms in similar circumstances are different.   Cyert & March believed that organizations were incapable of following specific unified objectives. Any agreed upon by a management coalition would inevitably be highly ambiguous. Thus managers influence the direction of a firm only marginally.   However, the significance of this work for strategic management was in how it pioneered the idea that competitive advantage rests in the specific being of the firm itself, and was a step along the road to the resource-based view and the work of Nelson & Winter (1982).

organizational effectiveness (see operational effectiveness)
organizational fit (see strategic fit)

organizational governance (see corporate governance)
This is the direction given to an organization's executive by the organization's owners and other stakeholders.

organizational learning (see learning, exploitative & explorative learning)

organizational linkages (see cross-functional management)
Management research and organizational studies have traditionally specialised by levels of analysis. There is often an assumption that interventions in one part or at one level will be to the benefit of the whole. In fact it may be that a beneficial change for one unit will result in adverse changes for another, or for the whole. Additionally, organising is becoming more general and holistic, and traditional theory will have to take a broader perspective than hitherto.   The study of organizational linkages concerns the interrelations between organizational levels and units. Goodman (2000: ch. 7) maintains there are a number of paradoxes or dilemmas are part of our understanding of linkages. He used research (Sterman *et al.* 1997) carried out at MIT into TQM at Analog Devices. He identifies three. (1) The organizational change improvement paradox: when the benefits of change (he used an example of TQM, which reduced defects) can lead to unanticipated negative outcomes (a loss in operating revenue). (2) The diminishing returns dilemma: a change programme might come to a point where it is difficult to extract extra returns (perhaps because 'low hanging fruit' has been picked first, so that later the difficulty of maintaining improvements works against the continuing effectiveness of the change programme). (3) The work context dilemma: company-wide changes might be faster in some units than others, and if rewards and resources are focused on these successes there will be detrimental consequences for other units (lag effects might mask progress - favour shown to the more obviously successful units could then lead to low morale and fewer resources, when in fact the need for positive leadership and resources is stronger and in these underperforming areas if the company as a whole is to benefit).

organizational politics (see corporate culture, power)
organizational responsiveness (see lean working)

organizational theory (see organizational economics)
Organizational theory is about the complex and dynamic nature of individual, groups, and organizations. Developed out of 'administrative theory' during the 1950s:

whereas organizational theory is influenced by the behavioural sciences, the former is more of an applied science (if not a profession or art) (Waldo, 1961). Organization theory applied systems theory and this *"required a creation of 'organizations', separate units divided by 'boundaries' from their 'environments' and relating to them by 'adaptation,"* (Czarniawska, 2005). Weick (1969) argued for the idea of 'organizing' - the processes of assembling *"ongoing interdependent actions into sensible sequences i.e. generate sensible outcomes,"* (Weick, 1979: 3), rather than static concepts such as structure and 'organization' (the title of his text, *The Social Psychology of Organizing,* contrasts with Katz & Kahn (1966), *The Social Psychology of Organizations*). For good thumbnail sketches of contributions in the field see Pugh & Hickson (2000)**.**

outside-in (influences on) strategy (see inside-out, outside-in strategy)
These are influences on thinking about strategy that are primarily driven by conditions in the external environment.

outsourcing (see platforms, supply chain management, downsizing)
This is the decision by an organization to buy in products and services from outside rather than make or provide them internally. This is the 'make or buy decision' and the typical reason for contracting outside if that the supplier concerned is able to provide its products and services more favourably, such as at lower cost brought about perhaps by access to scale economies and more specialist knowledge that improves quality ands reliability. Products and services which are not mainstream to an organization's business are the ones most likely to be outsourced, such as an ancillary service like cleaning.

Outsourcing is dangerous if it involves losing control over activities that are core and important to a firm's management of competitive difference. The management of in-flight meals is central to British Airways role as a long-haul service provider, but these had been outsourced to Gate Gourmet: in 2005, the caterer was involved in an industrial dispute, which delayed BA flights and generated for BA a lot of bad publicity. It is an example of how an outsourced activity can go seriously wrong. Core activities that are central to the provision of customer value and competitive advantage need to be kept fully under control. The resource-based view suggests firms are likely to focus on resources and capabilities that are strategic and outsourcing may be more useful for generating inputs that are non-strategic, and in which external suppliers have core competences of their own (Espino-Rodriguez & Padron-Robaina, 2006).

An associated term is 'facilities management', which is the provision of equipment or services, such as IT systems, and other support facilities, by an agent or another company. Originally the meaning was narrower and meant the provision of buildings and associated services such as cleaning and catering by a third party. Some large companies are almost virtual organizations: for example, Cisco, which makes Internet-routing gear and which contract manufacturers to manage its factories and supply to order. Contract manufacturers account for over 10% of electronic hardware. It has been suggested that the electronics industry will vertically disintegrate, leaving the traditional companies to focus on R&D and marketing, so that manufacturing will be a service largely provided by global suppliers (*Economist,*

2000a). The existence of such facilities gives to smaller companies an access to scale advantages they might not otherwise have had.

ownership (of objectives, a process) (see objectives, review)
To become operational - objectives, strategies, means and targets, must be owned by individuals so that an individual is responsible for their review and follow-up action. To ensure that this happens is an important task of top-level management. The progress of strategic objectives is often difficult to track in the daily management of a business. It is still necessary to ensure that strategy is being done and that it gets definitely completed. In the words of Anne Mulcahy, CEO of Xerox: *"I want to make sure that someone feels...ownership for every change initiative we have in place...It is part of our* [personal] *contract. This isn't matrix management. Looking back* [at the crisis the company faced in 2000, which she was brought in to solve] *I think we had a lot of smart, articulate people – good presenters and good team players – who didn't necessarily like to take responsibility on their shoulders,"* (London & Hill 2002).

However, ownership should not imply that a strategy is confined only to an owner's functional area – the achievement of a strategy (including its review) is likely to be a cross-functional team activity. In this sense, and perhaps generally, 'ownership' should not work against team-working; they should, rather, complement each other, much as a chair/secretary facilitates the work of a committee.

paradigm (see theory, methodology)
This is a grand or general theory or collection of related concepts about how the world is perceived and understood. It may also include elements of power that act to determine (usually hierarchical) relationships and communication media so that a paradigm has political and social dimensions. There are three kinds corresponding to practices of action, function, and understanding. The first defines paradigm as a distinct set of working practices recognised by corporate management in an organization as a distinct form of corporate practice or culture. In this sense, a paradigm can be a strategy such as a theory-in use, business model, a corporate mindset, or a pattern of doing things in a way that defines its competitive advantage. The second is characterised by a common or a collection of similar views held by consultants, theorists, and educationalists, of how organizations should work. The third is characterised by epistemological traditions or schools. This notion of a paradigm is associated with Kuhn (1962) and is probably the most important since it represents a more fundamental ontological view of thinking and practice.

Kuhn argued a paradigm is when research is based upon scientific achievements that some particular scientific community acknowledges as the foundation for its further practice. This has an enduring group of adherents, but must be sufficiently open-ended to leave all sorts of problems for practitioners to solve. A paradigm thus *"relates closely to normal science,"* (*op cit.*). It is the study of a paradigm that prepares students for membership of a particular scientific community, where there is a consensus over practices, and fundamental assumptions are rarely questioned. Thus, a paradigm includes a dominant belief system, which is partly unconscious, about common assumptions and techniques. This extends to the legitimacy of using these for certain purposes and in certain contexts. This is at least in part a social phenomenon that relies on the communally held belief founded on experience that a

tradition of research seems to work. Of course, the world is complex and nothing in it can be explored successfully unless much is left unquestioned. For dealing with open and complex systems like organizations there is no truly objective test to know if something important has been left out (see the sufficiency of theory).

Burrell & Morgan (1979) used objective-subjective, and regulation-radical change dimensions to yield a 2 by 2 matrix that identified, what they called, sociological paradigms: (1) radical humanist (associated with a desire for radical change and which takes a subjectivist view of organizational reality); (2) radical structuralist (a desire for radical change, but based on an objectivist view of organizational reality); (3) interpretivist (a concern with the status quo, but with a subjectivist view of organizational reality), and (4) functionalist (an objectivist view of organizational reality, but oriented towards maintaining the status quo). Most management research is (probably) more concerned with existing management issues and change, rather than radical social changes, and is typically interpretivist or functionalist. The latter, was referred to by Perrow as the *"uncritical acceptance of organizations as functional for all concerned and the moralism that follows from this view,"* (1972: 93). The notion of paradigms is in itself really a philosophical idea, and Kuhn echoes Hegel's view of history, but challenges the idea that science progresses towards an accumulation of scientific truth (e.g. Popper, 1959); a challenge taken up by Lyotard in his view of the postmodern condition, and Foucault who argued power and knowledge are mutually complicit (1970).

The Burrell & Morgan scheme is a reminder that there are several different traditions relevant to organizational studies, not just from a managerial perspective, but also from a social change (and possibly many other) views of organizational realities. Some (e.g. Lewis & Grimes, 1999) argued that inquiry can be based on several paradigms. However, the difference between a research tradition based on an epistemological perspective, such as a subject discipline, and a paradigm is unclear. Often they are used interchangeably, but one might expect in an open-ended field of inquiry like management, several strands of research traditions from different epistemological viewpoints. It is important is avoid stretching theoretical concepts to take account of different perspectives if this makes them too broad and therefore meaningless, especially if these perspectives are competing theoretical traditions (whether it is possible to achieve a normal science, following Kuhn, in the social sciences is a moot point).

Pettigrew (1990) has written about a 'theory of method': *"One reason for the success of such books as Burrell & Morgan…is that, those authors helped make explicit the various ontological and theoretical assumptions guiding much of organizational analysis. From time to time there is a requirement for empirical researchers to make clear the theory of method which guides their inquiries. The theory informing my research on change is contextualism, as proposed initially by the philosopher Stephen Pepper (1942)…much research on organizational change is ahistorical, aprocessual, and acontextual in character…reflects the biases inherent in the social sciences generally and in the study of organizations in particular…There are remarkably few studies of change that actually allow the change process to reveal itself in any kind of substantially temporal or contextual manner,"* (268-269).

This suggested that Pettigrew is following a particular ontological, rather than an epistemological perspective, where a research approach and its methods can seem to constitute a particular view of knowledge. However, a Kuhnian paradigm goes further in that it concerns a scholarly and research tradition on which a consensus has been established about the legitimacy of the kind of problem that can be researched, and how the problem can be perceived and investigated. Pettigrew has used longitudinal research by the comparative case study method. *"Time is captured in out work through a combination of retrospective and real time analysis,"* (*op cit.* 271).

Ghoshal (2005) argued that a dominant paradigm exists for management theory. While subjects, such as organization theory or strategic management, publish research grounded in very different assumptions and traditions, a single ideology has colonised all the management-related disciplines over the last 50 years: *"it is essentially grounded in a set of pessimistic assumptions about both individuals and institutions...views the primary purpose of social theory as one of solving the 'negative problem' of restricting the social costs arising from human imperfections...led management research increasingly in making excessive truth-claims based in partial analysis and both unrealistic and biased assumptions...Unlike theories in the physical sciences, theories in the social sciences tend to be self-fulfilling...a management theory – if it gains sufficient currency – changes the behaviour of managers who start acting in accordance with the theory...we have adopted the 'scientific' approach of trying to discover patterns and laws, and have replaced all notions of human intentionality with a firm belief in causal determinism for explaining all aspects of corporate performance. In effect, we have professed that business is reducible to a kind of physics in which even if individual managers do play a role, it can safely be taken as determined by the economic, social, and psychological laws that inevitably shape peoples' actions...Adoption of scientific methods has undoubtedly yielded significant benefits for both our research and pedagogy...*[but] *it is an error to pretend that the methods of the physical sciences can be indiscriminately applied to business studies because such pretension ignores some fundamental differences that exist between the different academic disciplines,"* (2005: 77).

Management has increasingly become less pluralistic, as it has sought to emulate science, *"they hide ideology in the pretence of science"* (87), and this has put a stress on discovery (casual and functional research), while squeezing out other forms of scholarship: integration (synthesis), practice (application), and teaching (pedagogy) (as defined by Boyer, 1990). Ghoshal argued that the inherent negative bias of management theory and research is likely to produce the sort of amoral management that is evident in the recent corporate scandals in the US.

paradox (see balance, postmodernism)
Organization-wide management is full of balances and trade-offs. Practical management must find a balance in most things. So, for example, control goes with change; discipline with creativity; top-down with bottom up; individual reward with collective collaboration; corporate aims with local needs; standardising with customising, and so on. Also strength can at the same time be a weakness (see the Icarus paradox, in learning). *"Peters & Waterman's In Search of Excellence (1982) appears to have been extremely influential in reshaping management thinking from*

the 1980s onward...the book seemed to resonate intuitively with the business community while academic endorsement was notably far less enthusiastic, Analytically, for the academics, what was discomforting was that the book appeared to celebrate paradox, if not contradiction. We had thought the 'culture' was not something that could be constructed – it evolved. How could HRM policy and practice be both hard and soft, and how could an organizational structure be both loose and tight at the same time? ... It was not long before the literature was littered with the routine adoption of those oppositional dyad constructs," (Oswick *et al.* 2002). Some see paradoxes as post-modern dualities, where organization must somehow encourage mutual contradictions. We now live in a world full of differences and the trick is how to manage them!

parenting (see corporate parenting)

Pareto principle (see quality tools, priorities)
The Pareto principle is one of the quality tools, which especially important to TQM. It takes its name from Vilfredo Pareto, a nineteenth century economist, who pointed out that a majority of a country's wealth is owned by a minority of the population. In quality management it is the idea that it is only a small number of problems among many that really matter and time and resources should be concentrated (leveraged) on those. Another name is the '80/20 rule': for example, 80% of lost value is caused by 20% of problems. When an issue or problem arises, people will identify the causes and then list those which seem to have the greatest impact. Effort and resources are then concentrated on these before the other causes are investigated. The principle requires people to determine their priorities in problem solving. The approach is pragmatic: people's attention and efforts should be directed to achieve the greatest impact, given the resources available. The Pareto principle can be applied to the strategic management process. That is, strategic objectives should be set to best achieve organizational purpose, given the issues, the required effort and resources available. The idea of making a difference by targeting effort and resources is the idea behind 'leverage' in strategic intent. The principle is also related to the idea of the vital few in hoshin kanri: where hoshins may be set to focus the organization on the 20% of strategic issues where 80% of management time and effort should be focused. The remaining 80% should be managed so that they are reasonably stable (and subject to corrective action only, and made the subject of diagnostic objectives).

participation (see empowerment)
partnerships (see strategic alliances)

PDCA (plan, do, check, act) (see TQM, quality tools, process, hoshin kanri)
PDCA is an acronym representing the Plan- Do-Check-Act cycle, which is a principle for good process management, or more generally, for any piece of work. It was originally featured in *Statistical Method from the viewpoint of Quality Control* by Walter Shewhart (1939), but was popularised in Japan after the Second World War by Shewhart's colleague, Dr W. Edwards Deming (1986), when it became better known as the 'Deming cycle'. The cycle moves through four stages:

The PDCA (Deming) Cycle as a principle for managing every process of work

Plan it　　　　　　　　**Do it**

Act on it　　　　　　　**Check it**
　　　　　　　　　　　　　(or study it)
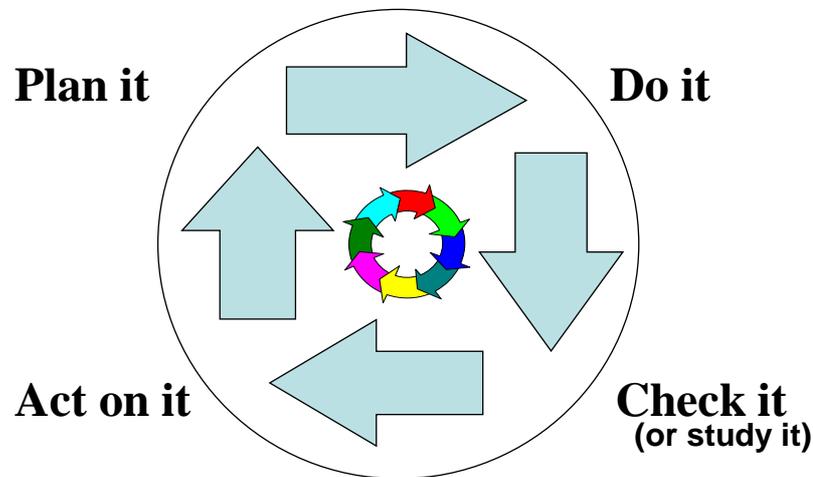
(1) Plan stage: when work activity is planned, designed, or specified to a customer's requirements. This typically involves clarifying the purpose of the work in terms of what the next (usually an internal) customer in line expects in terms of the output of the work.

(2) Do stage: when work is carried out to conform to the plan. This typically involves implementing and doing the work in ways that allow it to be effectively monitored during performance to see how the work is progressing to plan.

(3) Check stage: work should be checked if it is not going according to plan. Deming preferred 'study', which was the original word used by Shewhart to mean a deeper check as an in-depth review of a problem's root causes, where the aim is to make sure the problem does not reoccur. An in-depth review is likely to involve questioning the basic assumptions of the plan.

This stage is probably the most important in the sense it is about getting knowledge of how things work, including why something is happening. Some argue that PDCA starts with the check stage.

(4) Act stage: once the issues are understood then solutions have to be found and implemented. These are managed through a new turn of the PDCA cycle, when the present plan may have to be changed, and the PDCA cycle starts over.

Deming introduced the concept of profound knowledge: unless we understand what happens when we act on variables to cause them to vary, we are only tinkering with the issues. The is the equivalent of messing about with your car engine, or your TV tuning buttons, without really understanding what this screw adjusts or what that button alters. More often, tinkering merely results in a car that will not start or a TV with a wobbly picture. The depth of the 'act' stage is particularly important, for if those managing the work prove shy of change, then PDCA is more likely to stand for Please Don't Change Anything.   The cycle is sometimes seen in textbooks and in

practice as a closed loop or negative feedback system, which is mostly concerned with corrective action at an operational level. However, Deming saw the cycle as a double-looped learning system that should be applied to any process of work, including high order management processes, such as strategic management: for example, hoshin kanri is strategy execution by PDCA principles: *"For hoshin kanri...the PDCA cycle is the most important item of control...The PDCA cycle is important in setting up the policy* [hoshin] *as well. The variance between the plan and the actual situation is evaluated...annually, and the cause of such variance analysed, with the results incorporated into next year's policy* [hoshins]...*If the cause is not clarified, then the same discrepancy could appear in the next period as well. The process that produced the bad results obviously has some weaknesses, and these need to be discovered and eliminated. You emphasize the process rather than the results and improve the process to achieve better results,"* (Akao, 1991b: 5).

Kondo (1988) associated PDCA with 'self-control', an idea beginning in the early days of MbO, which referred to the ability of managers and others to self-manage their work. The PDCA idea remains central to TQM and the principle that everybody should take responsibility for the quality (as a customer wants it) of their work. The PDCA cycle is used as a principle to guide in the assessment of performance management, criteria for auditing excellence (see performance excellence models): for example, A PDCA approach is used to evaluate effective strategic management, when auditors move through a four stage activity to see how an organization plans, how it implements these plans, how it checks their progress, and finally how it acts to bring about change.

people (see human resource management)

performance appraisals (see performance management, incentives & rewards)
A formal, usually annual, process of establishing goals negotiated in consultation with individual employees. Often used to set future goals, monitor past performance and correct present performance, and can be used for promotion and to reward good performance. Rarely linked to strategy and not always used positively (if it causes blame and recrimination), but can be very powerful for implementation. A large research survey published in 1992 found that *"the predominant approach to appraisal remains one in which manager assesses subordinate, in other words implying external control by a superior manager rather than by the job holder,"* (IPC, 1992: 83). Deming (1986), alone of the quality gurus, condemned practices which linked reward (and penalties) to performance, especially for individuals; this included MbO and performance-linked pay. He felt that these things drive people apart when individuals should properly consider themselves a part of a team.

performance excellence models (see top executive audit, benchmarking)
Performance excellence models are assessment frameworks that are used to audit good practice and performance in the key areas of the business. The audit process is often called self-assessment. Models cover enabling (how things are done) and business results criteria. The idea is to evaluate organization on its management approaches and deploy good/best practice through the organization, so that they are used as a vehicle for organization-wide learning. Typically, organizations use the Baldrige Performance Excellence Award or the European Foundation for Quality Management (EFQM)'s European Excellence Award. These awards began as

national quality awards, but the term 'excellence' is now used to denote their role for benchmarking best practice and operational effectiveness rather than just quality management. There are many versions of award across the world, but they are very similar. The European version was first established by the EFQM in 1992, when it was called the business excellence model; later 'business' was dropped to make it appeal to not-for-profit organizations. The most well-known awards are the Malcolm Baldrige National Quality Award (named after an American Secretary for Commerce, and founded by Congress in 1987), and the Deming Prize, established in Japan by the Union of Japanese Scientists and Engineers in 1951. The criteria for these awards are similar and have been modified in minor ways over time. Awards are given on the basis of scores awarded by external assessors for each category of the models.

In the case of the European excellence award leadership accounts for 10% of the possible marks, people (8%), policy and strategy (8%), partnerships and resources (9%), processes (14%), people results (9%), customer results (20%), society results (6%), and key performance results (15%). The potential overall score is 1000 points and an organization is rated excellent at over 700. The distinction between enablers and results categories reflects a balance between drivers of performance, and the outputs of performance. The model shows the direction of influence: the motor that drives the enablers, which drive the processes, to get the results, starts with leadership, but innovation and learning begin with actual performance, works up through processes and enablers to leadership. By identifying the key elements of an organization's management, clarifying the impact and linkages, the organization can understand itself better and strive to continually improve. *"The company I work for was awarded a Recognised for Excellence in Europe award in 2005. We adopted EFQM and pursued the award for strategic reasons (differentiation from competitors in a contract tender). I would suggest that even without the focus being one of improving our end to end quality, there was a recognised benefit from the senior managers who were involved from the 'red-thread' exercise. The perceived benefit in helping breakdown silos was sufficient that all the managers involved requested that we continue to work within the EFQM framework and aim for further awards,"* Phil Francis, Project Manager, Capita Insurance Services (Francis, 2007).

Bohoris (1995) noted that the Deming Prize criteria do not explicitly consider human resource management, customer satisfaction, impact on society and operational results. Rather the focus is on the application of statistical quality control techniques. The categories included policies; the organization and its operations; education and dissemination; information gathering, communications and utilisation; analysis; standardisation; control/management; quality assurance; effects; and future plans. The prize considers more explicitly than the others how an organization manages the changes in objectives and business plans.

The conceptual foundations of strategic planning (and strategy) in the Baldrige criteria are reviewed by Ford & Evans (2000) (also see Blazey, 2003). They identified five fundamental propositions that make up the strategic planning framework.

"(1) A definable approach must exist for developing company strategy. The approach must consider factors related to the market environment, the competitive environment, risk, human resource capabilities, company capabilities, and

supplier/partner capabilities... (2) Company strategy must be defined. Action plans must be derived from strategy. Human resource plans related to the action plans must be included. Differences between short- and longer-range plans must be recognised and understood. (3) An approach must exist for implementing (deploying) action plans. The approach must consider how critical requirements-including human resource plans, key processes, performance measures, and resources-will be aligned and deployed... (4) An approach must exist for monitoring company performance relative to the strategic plan... (5) Strategy-related changes in key indicators of company performance must be projected. These projections must include relevant comparisons to competitors or other benchmarks, and the assumptions used in the projections," (7-33).

The first proposition is given most attention by the strategy and strategic management literature, although, as Ford & Evans note, there is no single literature stream that supports the integration of the six factors listed, rather the emphasis has been on market and competitive environment, and company capabilities. Ford & Evans also pointed out that for 'company strategy' the Baldrige strategy criteria do not insist on any type of content of strategy, but only that an organization should have a clear strategy, and the stress is on the 'how' of its implementation. (Some details in the criteria were modified in 2005.)

The EFQM defined policy and strategy as: *"How the organization implements its mission and vision via a clear stakeholder focused strategy, supported by relevant policies, plans, objectives, targets and processes,"* (EFQM, 1999). To be awarded high marks an organization would need to show that it has: (1) Policy and strategy based on the present, future needs, and expectations of stakeholders. (2) Based on information from performance measurement, research, learning and creativity related activities. (3) Are developed, reviewed, and updated. (4) Are deployed through a framework of key processes. (5) Are communicated, implemented. So, a business excellence model can be used to evaluate strategic management, including, e.g. the balanced scorecard (Andersen *et al.* 2000).

Drury & El-Sishini (2005) suggest about 12% of firms in the UK use the EFQM framework to measure the performance of divisions. Some companies have derived their own versions of these models; see the Xerox Management Model, below (Witcher & Butterworth, 1999a). Xerox awards excellence certification to those units that reach a desired standard of practice. When a company uses a model to identify its main cross-functional activities that are central as value creating processes, it has much in common with Porter's value chain. However, companies use performance excellence to assess organizational effectiveness rather than only strategy. In other words, it is more of an organization-wide health check rather than a tool build difference. Typically, the categories are used to specify desired best or good practice, which can be based on benchmarked activities in other parts of the organization or in other organizations. However, organizational effectiveness should also include the management of competitive difference, and reflect the needs of the organization strategy.

The Xerox Management Model
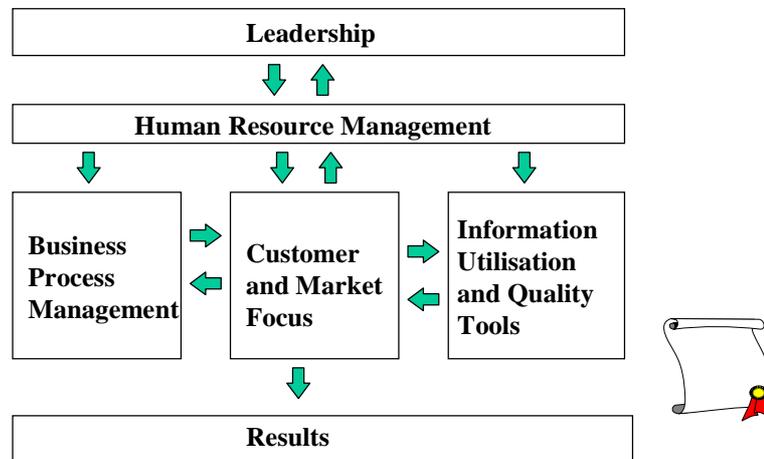
In the UK, the John Major government began a benchmarking project that was continued and expanded during Labour's first term of office, when it became the Cabinet Office's 'Public Sector Excellence Programme' (Cabinet Office, 2003) The aims include bringing the benefits of a performance excellence model (the preferred choice is an adaptation of the EFQM model) to the notice of public bodies; to encourage the public sector to conduct self-audits against the model; assess areas of overall performance and the reasons for the level achieved; identify areas where improvement will have the greats impact on the public sector's ability to meet targets; help share best practice within the public sector, with the private sector and with government bodies in other countries. *"Ministers view it as 'a means by which particular aspects of performance can be identified where a large proportion of agencies are under-achieving and where a central imitative may be appropriate in order to improve the general level of service provided',"* cited in Massey & Piper (2005: 130). These authors argued that while such new public sector management measures as these ostensibly aim to achieve greater consumer control, *"they are really about control over public servants and their organization, activities, budgets and performance, by ministers and a small cadre of senior civil servants…*[they point to the] *voluminous paperwork containing guidelines, principles, protocols, indicators, examples, and targets,"* (ibid.).

The idea of a generic and externally designed performance excellence model is subject to the same criticism as ISO 9000, and other certified quality schemes. This is that these models are too deterministic. John Seddon, much influenced by the Toyota Production System, feels strongly about this: *"The EFQM excellence model… There is no evidence that it works and yet, again in our public sector organizations, people have been coerced to use it. For me, it's a complete waste of time. Rather like ISO 9000 and all of these things, it suffers the problem of being a specification. If you want managers to improve – and we all do – would you have someone write down a specification and then tell them to do it and have them inspected by a third party? Where would you want the locus of control if you want managers to change?*

You'd want it with the manager, the individual. That's what you get when a person goes out and studies the system from a different point of view. You don't get that with any of these models. You get compliance with these models. You also get factories of people feeding the model. It's pathetic. It truly is pathetic. And when you go into these organizations and study them as systems, you find with both ISO 9000 and the excellence model that these models have caused them to do things that actually make them worse and, secondly, have prevented them from looking at the things they should look at in order to improve," (2002; 9).

The essence of Seddon's arguments is people should understand their organizations in their own terms, as a complete system, and <u>always</u> from the viewpoint of the organization's customers. He is not arguing against standards, but for a holistic approach that satisfies a particular organization's customers' expectations. A problem with performance excellence models (especially the EFQM) is that they are self-assessed, and consequently can be assessed to a relatively low standard and still indicate a high compliance.

Of course, like all generic frameworks it is likely to need modification for individual applications and specific contexts. The use of a visual means to explain excellence is useful, but many organizations use questionnaires (e.g. Hewlett-Packard), and Japanese organizations typically use models to visualize company-wide production systems, but these are not used for self-assessment, instead annual audits are used to involve a senior level in an annual review of operations (see top executive audits). Some of the specialised quality management systems, such as the standard used in the United States for suppliers of telecommunications (QuEST, 2001), are very comprehensive and cover best practice management methodologies including planning and review. These can be used for self-assessment, although these are essentially used to check necessary standards, rather than to directly improve strategic competences and capabilities. Quality systems are typically used by specialist personnel, and there is no necessary involvement of senior managers.

Kaplan & Lamotte (2001) outline ways in which the balanced scorecard might be better than performance excellence models. They argued the links between enablers and results are implicit, but the scorecard/strategy map gives more emphasis to the linkages; the models focus on continuous improvement, not the radical change associated with strategy, and while the models centre on existing processes (with a danger that these might be inefficient and not worth improving), the scorecard often reveals entirely new ones, because it prioritises processes which should get resources and others that should be dropped; the models make a distinction between leadership and strategy, but the scorecard inextricably links them together.

performance measurement (management) (see delivery systems)
Performance measurement (management) is the quantification of purpose, progress, and results, in work. Traditionally, performance management has a strong people-based perspective: *"it is strategy which relates to every activity of the organization set in the context of its human resource policies, culture, style and communication systems,"* (IPM, 1992: 1). As such it can include performance appraisals, rewards and recognition, measurement and reporting systems, and even TQM. Another name is performance measurement which is more specifically concerned with the quantifying efficiency and effectiveness. According to Neely (1998), there are dangers if

performance measures are used to control work top-down, rather than letting the people doing the work determine their own measures; the people being measured typically begin to manage the control measures, rather than their performance. For example, *"When I think back on my own experiences as an operating manager being beaten up by my superiors over targets and variances I remember a general sense that I got nothing from it. This was not quite true because knowing the actual figures for some measures was useful information to me. The quantification gave me something I could not get from personal contacts. However, I never saw any evidence of more senior managers ever using my information for more than (1) beating people up, and (2) defending themselves in talks with their superiors. The system was designed with the intention of finding out who was performing so that sticks and carrots could be applied. I would have liked more attention to finding out what methods worked,"* (Leitch, 2004).

CIMA (2002) lists and explains the required factors for a successful measurement system:
- It must be integrated with the overall strategy.
- There must be a system of feedback and review.
- The performance measurement system must be comprehensive.
- The system must be owned and supported throughout the organization.
- Measures need to be fair and achievable. The system needs to be simple, clear and understandable.

In terms of feedback and review: *"In is important to distinguish between two types of learning. Single-loop learning is necessary to build core competences and double-looped learning is necessary to adapt to changes in its environment and can be a primary driver of sustainable competitive advantage. Typically, many executives pay most attention to operational health rather than strategic health. Good operating performance does not necessarily indicate the future strategic health of a business and organizational learning enables a company to change before they have to. In order to reach this state, executives need a shared understanding of the need for future change. The following elements are required to facilitate this (Murray & Richardson, 1999)*
- *Shared information about the likely future business environment, including major trends and developments;*
- *A shared sense of vision and strategic intent serving as a yardstick for evaluating strategy;*
- *A limited set of leading indicators that signal the need for strategic change;*
- *A set of enabling processes to ensure that appropriate decisions are taken and follow-through occurs.*
- *An executive team will need to agree on the leading set of performance indicators and ensure that they are discussed regularly and reviewed,"* (CIMA, 2002: 3).

A European research report, written by Gates & Kulik (1999), found that three-quarters of respondents had changed their systems during the previous three years. However, it is likely that accounting-based performance measures, such as profit, cash flow, the return on capital employed (ROCE), remain central. In the words of CIMA (2002), the *"use of non-accounting measures, though widely accepted in*

practice, seemed more informal and ad hoc, almost superimposed on the formal accounting-based systems," (2).

An associated term is strategic performance management: *"the process where steering of the organization takes place through the systematic definition of mission, strategy and objectives of the organization, making these measurable through critical success factors and key performance indicators, in order to be able to take corrective actions to keep the organization on track,"* (de Waal, 2007: 19). However, this definition seems to confuse strategic performance management with strategic management (much of the balanced scorecard literature confuses the two). Strategic performance management is that part of strategic management, which manages the implementation of longer-term strategy (including purpose statements and scorecard strategic objectives) as medium and shorter-term objectives and actions (including CSFs and KPIs, and taking corrective action).

performance prism (see stakeholders, performance measurement)
This is a three-dimensional model developed at Cranfield University (Neely *et al.* 2002) in which the performance measures are derived not just from strategy, but also from the stakeholders. It has five facets: the top and bottom ones are stakeholder satisfaction (who, what do they want/need?) and stakeholder contribution (what's does the organization need from stakeholders to maintain and develop capabilities?). The three side facets are strategies (to meet wants/needs of stakeholders), processes (critical ones), and capabilities. The model is designed to illustrate the complexity of performance measurement and management and gives prominence to the stakeholders. Sophisticated organizations should have a clear business model and an explicit understanding of what constitutes and drives good performance.

A central role is proposed for stakeholder needs. *"One of the great fallacies of performance management is that measures should be derived from strategy...Performance measures are designed to help people track whether they are moving in the direction they want to. Strategy...is about the route you choose to take – how to reach the desired destination."* (Neely & Adams, 2001: 9). This thinking is associated with views that the balanced scorecard can ignore the role of important stakeholders, such as suppliers, employees, pressure groups. A good scorecard, though, should take full account of the primary stakeholders' interests - such as those of owners (shareholders), customer interest embedded in customer value, and employees – all three are covered by the scorecard's perspectives.

performance pyramid (see performance management)
This is a model for the deployment of objectives, presented by McNair *et al.* (1990). Vision and corporate strategy are translated top-down while measures are transmitted upwards through a pyramid of four levels. The apex is the determination of corporate vision by top management. At the next level vision is converted to market and financial objectives by business units. At a third, business operating systems level, these are then deployed as customer satisfaction, flexibility, and waste objectives. Lastly, departments and work centres translate these into quality, delivery, cycle time, and waste objectives. The idea is that different measurement frequencies are required for the different levels: the top being infrequent, the bottom daily; a strong cause and effect between the lower operational measures and the higher financial ones should; be evident. This framework has been widely described in the UK performance

management literature, but it has not found much practical use. The approach is another attempt, like the balanced scorecard, to bring a balance to the setting and deployment of objectives.

periodic strategic review (see review)
This is a formal review by senior managers of a unit's performance on the strategic objectives, normally to be able to authorise in good time any necessary corrective action. It is primarily concerned with performance in the shorter term and not, like strategy review, concerned directly with a review of longer-term strategy.

perspectives (see balanced scorecard)
These are contrasting views of objectives and measures used in the balanced scorecard.

PESTEL (**Political, Economic, Social, Technological, Environmental, Legal**)
PESTEL is a mnemonic framework used to group and understand factors in the external environment that are political, economic, social, technological, environmental, and legal. It is important to consider these different groups as a whole, so that the 'bigger picture' becomes apparent. The original 'PEST' was introduced early in corporate strategy by Steiner (1979), and used by Andrews (1987). It is typically used in combination with SWOT to choose or review a strategy.

PIMS (profit impact of market strategies)
PIMS is the name of a research programme that was developed from General Electric's Project PROM (Profitability Optimization Model), which had been designed to measure the impact of marketing initiatives on profit; it was one of the first quantitative strategic planning tools. The PIMS project involved two thousand companies and produced data on market and industry characteristics. It was found that the following variables had the most important influence on performance: stage of market development and growth rate, selling price increases, degree of product/service standardisation, supplier concentration, amount of customer purpose and importance, employee unionisation, and the extent of industry exports and imports. The authors (Schoeffler *et al.* 1974; Buzzell & Gale, 1987) argued that market leaders command higher prices, and offer products and services that are of superior quality to their competitors.

plans, planning (see strategic planning, PDCA, priorities, budgets)
Plans are statements of objectives, strategies, and the means to achieve them over time. Plans range from detailed road maps about how to reach particular outcomes, to guiding statements or desired objectives that can be used as statements of intent that provide a framework to develop the means to achieve them. In the former case, they may take a programmed (or deterministic) form, whereas in the latter instance, they may be tentative, sensing, and provisional. They may take a combination; so for example, a longer-term plan is broad and can be used to guide the development of more detailed action plans in the shorter-term. A planning process classically follows in the order of objectives, an analysis of objectives in terms of the situation an organization faces (both external and internal) to derive the most suitable strategies (what must done) and to outline the main means (how to do it), and to monitor and

conduct periodic reviews to provide feedback on progress and the need for further change.

Not all plans may be intended as guides to action. They can be ends in themselves; for example, made to give an appearance of rationality, to justify existing action or even past action, or specifically to influence a stakeholder, such as someone who might lend funds. However, the effective management of work is impossible without a workable plan.

Plans at an operational level are often called tactical rather than strategic as they concern the fine detail of putting things in place. Typically a distinction is made between 'planning' and the 'control system' that manages the implementation of the plan. Plans and planning should be a continuous process and this applies to all levels of a plan. For example, good planning is about how to review, and to see 'Planning' and 'implementation' as separate activities is probability a mistake. Planning should be constantly managed and should be done in enough depth to understand the organization and its environment. Most of all a 'plan' should be used to manage the organization through time. *"Well managed businesses are businesses which have thought through everything and are not surprised by the turn of events; these have been anticipated, and the reactions are pre-planned,"* (Harvey-Jones, 1993: 61). *"The ultimate measure of the success of the planning process is whether the organization achieves its objectives and has the maturity (and early warning mechanisms in place) to take corrective action should progress towards these objectives start to be a concern. Efficiency and effectiveness are captured in the planning process itself by (1) having a documented process that is reviewed prior to and after sessions, and (2) by capturing lessons learnt during the planning and review sessions,"* (Hewlett-Packard, 1999).

Planning should be thought about in terms of <u>who</u> needs to come together to look at <u>what</u> information, <u>when</u> (frequency), <u>why</u> in terms of the reasons for the decisions to be taken, and <u>how</u> are these meetings going to work effectively.

Planning often goes astray. Nairn reporting the comments of Simon Pollard, VP AMR Research, noted: *"'The moment you produce a plan it is out of date but you do not know where or by how much'…What worked yesterday, will not work tomorrow…most strategic planning software, because its forecasts are based on historical data, is 'detached from day-to-day reality.' Plans are therefore invariably out of date.* [quoting Sanjiv Sidhu, CEO of i2, the leading supply chain planning vendor]: *'Historically, there was a lot of three-month cliff planning but now a lot of our customers plan daily. The latest trend is to make a rolling plan and adjust it every day',"* (Nairn, 2002: v). In fact whatever the time horizon for planning, it should never be separate from continuous review. Working to a plan should make it easier to see change. *"With solutions devised beforehand, companies can move to achieve strategic gains while competitors are still denying the reality of the change in circumstances. Contingency planning places responsibility for resolving and even exploiting reversals firmly on to the shoulders of managers,"* (Luesby, 2002: 31).

Mintzberg, in his critical account of strategic planning, argued for management to be able to understand the strategies that emerge over time. He suggested that planning can be used to interpret behaviour (and so help understand emergent strategy): that is,

one way to work out what is happening, think about what you are doing and how this relates to what others are doing, is to work out a plan. However, he cited March (1976: 80) to suggest that a plan is a useful framework to evaluate past actions: *"Planning in organizations has many virtues, but a plan can often be more effective as an interpretation of past decisions than as a programme for future ones. It can be used as a part of the efforts of the organization to develop a new consistent theory of itself that incorporates the mix of recent actions into a moderately comprehensive structure of goals…a manager needs to be relatively tolerant of the idea that he will discover the meaning of yesterday's action in the experience and interpretations of today,"* (Mintzberg, 1994: 362-363). But this should not preclude the ability that good planning brings of being able to look ahead, and ability to retain focus on key priorities and direction, while minimizing risk.

Planning is basic to PDCA management, where the reasons for doing a specific task or process should be worked out, and then used to manage the course of that work over time. The UEA hoshin kanri research came across numerous examples of managers and teams that worked out a rough informal plan based upon the existing work of the team. These plans are used as a basis for reference in discussions within the team, and with externals who were important to the team's intentions. The plan was a programme for action and its ownership remained within the team. Individual members typically sketched out their own versions to outline their work (this was sometimes used for appraisals). Within a hoshin kanri conditioned environment these plans were used and modified during a continuous process of review. This happened not just because the team wished to modify its plan in the light of experience, but also because other teams in considering their own modifications to their own plans wanted to check for possible effects and implications elsewhere. So events elsewhere in the organization, or even outside, might call for changes in these plans. The usefulness of planning is that it facilitates a basis for on-going action. The appropriate slogan is 'work the plan'.

platforms (see global-level strategy, Internet)
There are two meanings associated with platforms. The first concerns the geographical centralization of common sources of basic models, which local assembly and marketing units use to adapt to suit local demand (see GM in global-level strategy). The second is associated typically with an important technology, over which a firm may have property rights, which is used by other firms to develop products and services, such in the case of software platforms (Evans, Hagiu, & Schmalensee, 2006). *"As viewed by customers, high-technology 'products' are often systems. These systems consist of interdependent components resting on 'platforms'. There is strong functional interdependence amongst components of the system. End user demand is for the system, not the platform. There is often a multi-sided 'market' phenomenon at work as well. For instance, electronic game consoles are not much use without games…This important class of situations has highlighted the importance of co-specialisation, and strategic decision making must now take this into account,"* (Teece, 2007: 1332). The strategic threat with co-specialisation is lock-in. Alliances are often necessary to coordinate and respond to change.

In a study of innovation, Henderson & Clark (1990) made a distinction between innovation that changes a product's components, which they call 'modular innovation', and innovation that reconfigures an established system to link existing

components in a new way, which they call 'architectural innovation', and for which the associated scientific and engineering knowledge has remained unchanged. To the degree than an analog dialling device can be replaced by a digital one, is an innovation that changes the core design of a telephone, but does not change the telephone's architecture. Platforms may be understood as architecture, where they constitute systems for organizing and integrating (administrative, technical and productive) complementary products and services (see complementarities).

policy, and policies & procedures (see standardisation)
Policies and procedures are conventionally regarded as a central part of strategy implementation and are frequently referred in the literature as systems: for example, 'quality systems', or in the seven-S model, where 'systems' refers to part of a strategy-structure-systems trilogy. Policies and procedures are the organization's formal documents (such as manuals) that specify standards, guidelines, rules and regulations that detail codes, practices and responsibilities. Typically they include job responsibilities and descriptions of processes, including personnel matters, customer standards and complaint procedures, and safety matters. They may also include value, vision and mission statements. Policies and procedures are typically viewed as necessary constraints and even if they are not laid down formally they tend to accumulate in an ad hoc way over time as guidelines and specifications of good practice. Much of the operating success of an organization depends upon its ability to make decisions cheaply and easily, and that means people must have standard procedures to keep agendas narrow, variables few, and decision processes highly programmed. However, this can make an organization brittle and crisis-prone if standards work against innovation and the management of change.

'Policy' can be used to connote a similar meaning to 'strategy'. The word, hoshin, translates as (a strategic) policy; the hoshin includes a brief summary of a situation, a statement of an objective, and a summary of possible guidelines or means to carry out the objective - in this case 'policy' is more comprehensive embracing than 'strategy', if the latter is equivalent to the means.

policy deployment (see hoshin kanri)
policy management (see hoshin kanri)
portfolio management (see strategic portfolio management)
positioning (see competitive strategy, strategy groups)
POSIES (see strategic management)
POST (see strategy)

postmodernism (see market state)
Recent decades have seen a lessening of mass production business philosophies such as Fordism, and this has been termed the de-differentiation of the production process (Clegg, 1990) This has reversed the division of labour and differentiation based on hierarchies, and has been accompanied by an increased differentiation based on standard products and services in markets. IT, communications, database marketing, the free flow of international capital and expansion of global markets, plus the spread of western media and entertainment, have reinforced this tendency. Some observers have called the present period a post-modern or post-industrial age: a shrinking world that is growing basically more alike, but at the same time becoming more global and stylistically divergent. So while management may be converging in form so that it

looks much alike around the world, markets may be (at least on the surface) fragmenting on a global basis. Thus it is possible for organizations to standardise what they do, but offer variations in style in different parts of the world.

As a critical perspective, postmodernism champions difference, especially the idea of the 'other' (the outsider, the margins). It is critical of the idea of the development of knowledge as a universal and progressive historical process based on rationalism (this parallels criticisms of rationalist views of strategy, such as the design school). To the forefront have been philosophers, such as Foucault (1974), Derrida, and social critics such as Jameson and Baudrillard. Lyotard (1984) argued that the idea of progress based on reason (an applied principle used since the Enlightenment) is problematic, and that meta-narratives (or grand theories) should be replaced by stories as a better way for understanding knowledge creation (see Witcher 1995 for 'stories' of TQM).

Postmodernism also emphasizes consumer culture (Featherstone, 1991). Jean Baudrillard (1983) argued that in a post-industrial society production is no longer central, but rather it is simulations (copies) that structure and control social affairs. Models and codes in fact precede reality and are reproduced unceasingly in a society where the contrast between the real and unreal is no longer valid. He coined the team, 'simulacra', copies or representations of objects or events without any original: so, e.g. a film may be watched anywhere, there is no original, and its experience is coped over and over as a kind of 'hyper-reality'. *"Whereas in the modern world we possess meaning in the laws of production, we find in the postmodern world a universe of nihilism where concepts float in a void,"* (Hassard, 1993: 123). Bertens (1995) is an excellent overview of the literature.

power & politics (see organizational culture)
Power is the ability to influence others and politics is typically its mechanism involving the determinants of legitimacy and nature of social organization, and the control over resources. The shift from hierarchical to process organization has effected a shift in stress from 'position or rank' to a new task-(customer) centred legitimacy. Power and politics are prime causes of irrationality in organizations, however, and gaming and other political moves, such as coalition-forming and lobbying, all act to make behaviour in organizations complex. Much of the emergent and strategy process view of strategy is premised more on the idea that organizations are like school playgrounds, than the idea that they are places of planned and rational action. Inter-personal politics at a senior level can work against effective performance (e.g. see how it influenced strategic decision-making in the microcomputer industry, Eisenhardt & Bourgeois, 1988). Power and politics is most influential in the strategy process at board level, especially in how it might condition the behaviour of a senior management team.

PR (public relations) (see corporate image)

price (see competitive strategy, quality)
A low price as a part of a wider corporate strategy or business model does not necessarily mean that the organization is following a cost leadership strategy. E.g. the low prices offered by EasyJet and Ryanair are part of a dynamic pricing strategy (prices changes constantly, say, to reflect time of buying, supply and demand), and there are other elements in their strategy that make their service a different one to

those offered by the traditional air lines. Also the belief that price should reflect value to the customer might also be questioned. The Japanese broke into markets on the basis on both reducing prices and raising quality and, sometimes, following principles that quality in fact includes lowering prices, not raising them! However, price should not be a compromise between competing functional interests, but should be determined with reference to corporate strategy and the offer's worth to customers.

principal agency theory (see organizational economics)
private labels (see brands)

priorities (see focus, Pareto principle, strategic intent)
"One of the problems of business is that even the best organizations need to concentrate their efforts and be very clear about their priorities," (Harvey-Jones, 1993: 61). Some things, such as strategically relevant categories of customers, are more important than others. Priorities determine the things that take precedence in work. In other words, scratch where it itches - priorities decide relevancy. *"The choice of what <u>not</u> to do is...central to strategy...strategy requires constant discipline and clear communication. Indeed, one of the most important functions of an explicit, communicated strategy is to guide employees in making the right choices when trade-offs* [see competitive strategy] *arise in the course of their individual day-to-day activities...Choosing not to do something is particularly difficult because it appears to constrain growth. Excluding one group of customers to serve another, for instance, places a real or imagined limit on revenue...Managers are constantly tempted to take incremental steps that will relax these limits but blur a company's strategic position,"* (Porter *et al*. 2000: 90).

There are also priorities that may not be directly relevant to competitive strategy, but are nonetheless strategic in the sense that they must be managed routinely to ensure that the health of the organization is receiving full attention. This in general concerns the management of organizational effectiveness in achieving purpose, and concern the effective cross-functional management of the basic processes. So, for example, while safety for an airline company might not be central to a competitive strategy, it is likely to be disastrous if something where to go wrong; thus safety is a core priority (if not a pressing strategic one) for daily management. Other priorities may be urgent and require non-routine attention. This may relate to action required quickly to ensure that a strategic objective is achieved speedily, perhaps because of a sudden change in the competitive environment. Or urgency may be required to address a fundamental weakness that has suddenly become critical. Organizations typically address these through project management initiatives. A key aspect of hoshin kanri is to stress a <u>few</u> annual policies designed to quickly achieve change that is critical. The idea is that if everybody makes some small contribution then overall the change will be substantial and relatively rapid. The deployment process uses a rigorous application of the Pareto principle in problem solving targets and means: the Pareto principle is important because priorities are about focus and not trying to do everything to solve an issue. Pettigrew (1988) argued that this is an important issue for the National Health Service. *"This focusing issue arises from the conclusion that managers varied greatly in their ability to narrow the change agenda down into a set of key priorities, and to insulate this core from the constantly shifting short-term pressures apparent in the NHS. The danger was that the number of priorities would escalate until they became meaningless,"* (285).

Priorities also work against waste, or what Kondo (1988: 35F.19) calls surplus quality, where products and processes may be over-engineered or designed as high quality often on a functional basis without enough regard to cost. Strategic leverage calls for a concentration of effort on those things that will make the most difference in achieving a strategy, with those (usually existing) resources that will have the most impact. Hamel & Prahalad (1993) linked this idea to 'stretch', when they argued resources should be concentrated, accumulated, complemented, conserved and recovered, as a series of focused small changes to achieve major change (see strategic intent). Stretch is the leverage of resources and competences in the most effective way to provide a competitive advantage.

The idea of priorities is reflected in the Porter (1996) exposition of trade-offs: that priority should be given to those activities that work (and complement each other) to sustain value and competitive advantage (the purpose of the value chain). However, this may put too much emphasis on competitive difference. There are also other strategic priorities, such those having more to with operational effectiveness, and linked to other non-competitive aspects of achieving purpose.

Priorities should take into account the more general and longer-term needs of the organization. Dan Simpson (vice-president at Clorox, where he was head of strategy and planning for 16 years) observes that *"During performance shortfalls, consistency and conviction become more important – horizons are closer and you focus all the water on short-term fires. But it's not uncommon for short-term fires to create long-term problems. A downward spiral develops momentum and becomes harder to turn around. While nearly everyone focuses on the near term...must...advocate for long-term health,"* (Dye, 2008).

private equity firms (see mergers & acquisitions, sovereign wealth funds)
These are associated with leveraged buyouts, when a group of investors buys a publicly quoted company in order to take the company private. When the transaction is complete the company's stock is no longer traded publicly. The firms that engage or facilitate this type of activity are called private equity firms, and have large investment funds at their disposal. When they provide medium to long-term finance in return for high growth in unquoted, especially new, companies, this source of finance is called venture capital. In recent years these firms have attracted more attention because they also buy companies. For example, the UK private equity firm, Cinven, and a U.S. counterpart Texas Pacific Group (TPG), teamed up to bid for J. Sainsbury (*The Times*, February 20, 2007) (this was withdrawn in April). Permira, Europe's largest private equity group, now owns the AA motoring organization and the retailer New Look. The UK is the second largest private equity market after the US. A related term, 'buy-out', refers to purchases by private equity firms of publicly listed companies. The world's biggest buy-out occurred in February when Blackstone reached a £19.8bn agreement to take over Equity Office Properties, the largest commercial property group in the US. Blackstone, founded in 1986, is a large private equity firm active in global finance. Buy-outs, however, typically involve consortia of investors rather than a single firm or buyer. The rise in buy-outs, and a trend for many large American public firms to go private, may be a symptom of the high rate of M&A activity up to 2008 (Politit & Guerrera, 2007).

Private equity firms have been criticised for their lack of public accountability, especially in terms of investor names and executive salaries, and also for the very large levels of borrowings they sometimes use to finance deals, which can burden purchased firms with large debt. There are also accusations of asset-stripping and of financial (short-term based) rather than strategic (longer-term based) management. Rumelt suggested private equity can be more ruthless than an internal management in an ordinary complex public company, where there could be a bias against shutting old business down: *"One of the things we see happening in private equity is highly incentivised people assuming this very unpleasant task of taking a company private, weeding its garden, and then taking it public again,"* (Lovallo & Mandonca, 2007). Arguing that private equity firms facilitate creative destruction, Foster and Kaplan (2001) praise the ability they have to change with markets, unlike mature corporations.

In the UK the industry has been in the process of formulating a code of practice, especially with regard to the information they should publish about the (especially large) firms that they own. It is also been suggested that external non-executive directors could be introduced who would represent the interests of wider stakeholders including the public interest. However, this seems unlikely in an industry where the emphasis is on the interests of the private shareholders: *"One of the things that has made the industry so successful is the absolute clarity of shareholder objectives, in contrast with public companies...Anything that undermines clarity, will undermine the model,"* (Arnold, 2007).

The global financial crisis (credit crunch) has limited the amount of debt that can be used to finance deals. Some firms have run into difficulty because they made large deals just before the crisis, and these purchases now seem unlikely to be sold at profit. The total value of buy-outs has reduced substantially and private equity may not be the force that it once was. Salaries of the managers typically involve taking 20% of profits above a certain level when an investment is sold. Typically, the process from buying to sale takes five years. In the meantime, a management fee is usually charged of 1-2% to cover costs. Private equity seems to work best in rising markets.

process & content (see process view of strategy, strategic change)
A distinction is made in the strategy literature between strategy process and strategy content. This reflects a difference between the 'how' and 'what' of strategy. The idea is also reflected in Pettigrew's scheme (see strategic change), but he adds 'context'. Put at its most simple, process concerns the enabling activities, managed and otherwise, while content is the strategy itself. This idea is also reflected in the idea of strategy as a process, but where somehow deliberate process is mixed with strategy as a behavioural patterned activity – this suggest that the two may be difficult to disentangle. *"Traditionally, strategy researchers have used process and content as fundamental organizing categories...the process-content division may be arbitrary and limiting to the field. If process is a strategic choice with competitive advantage implications, then process and content are not mutually exclusive, but both belong to a larger construct: using resource* [resource-based view] *language, both are 'resources' or 'strategic factors',"* (Powell, 1992: 557).

However, a useful distinction is between strategic management (a managed process) and strategy (a policy to achieve strategic objectives – which may be considered in

the Pettigrew sense as content, to be managed). But even here, the distinction may be problematic, since a firm-specific way of strategically managing can be as much a contributor of competitive advantage as the things it is managing (which is Powell's point about strategic 'resources' and 'strategic factors').

process (see PDCA, TQM, business process management, lean production)

A process is a sequence of tasks necessary to deliver a business objective. The EFQM defines a process as a *"sequence of activities which adds value by producing required outputs from a variety of inputs,"* (EFQM, 1999), where 'value' means customer value. A process will transform inputs into an output that has customer value. approach for managing work, and the skills and Business process management approaches to organization-wide working, such as TQM, lean working, and JIT, are based on process organization; where processes are managed in ways that allow individuals and teams to monitor work progress to see if the process is meeting customer requirements. This requires something like a PDCA cycle approach and knowledge about how to solve process problems. Possible sources of process problems lie in five areas. These are shown in the figure as (1), the quality of a process plan (design); (2), the quality of process conformance to thus plan (quality of process work); (3), the quality of inputs; (4), the quality of output (good insight and feedback from the customer is essential), and (5) the quality of organizational support (empowerment and facilitation).

Process management: PDCA, five potential problem areas
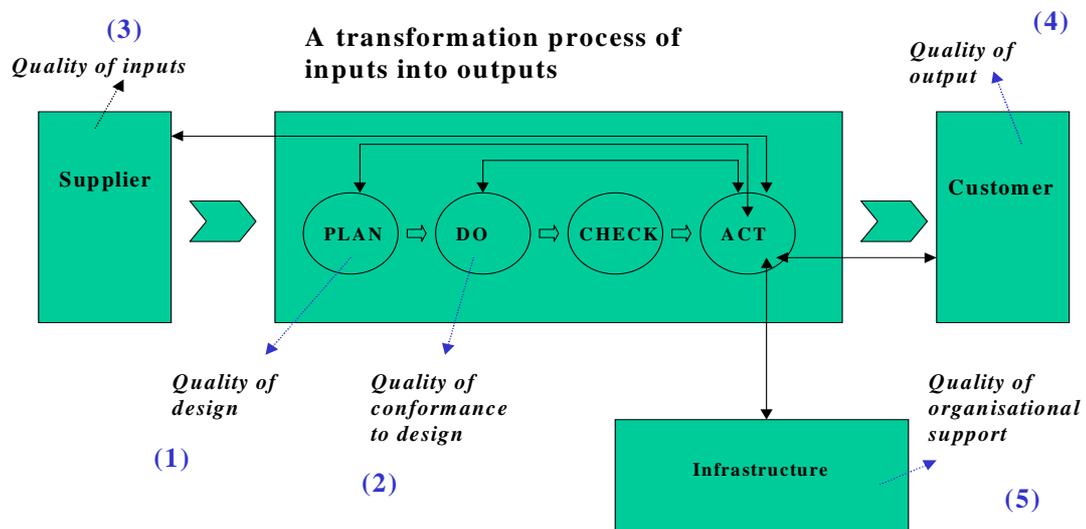
Process approaches to organization are typically organised around the need to create sources of customer value to satisfy target segments. Process organization is associated with flat forms of organization where employees have a large degree of freedom in making decisions and can react quickly to customer needs. This contrasts with functionally based organization that is designed on the principles of the division of labour. Process organization facilitates the establishment of self-directed teams that take responsibility for their own work processes. Of course, functional

organization has processes, and some of these will be cross-functional where specialisation is not so obvious. But in a process organization the direction of work is pulled forward by the customer, and some of its most advanced forms are JIT management and customer relationship management. In a tall organization, work processes are based more on a (strategic) design, where the chain of authority is typically based on a command and control hierarchy, and where staff management plays a central role in designing and maintaining process work. In process organization more authority is given to line management and process teams, which may interact closely with their customers. Process organization is task or customer centred and in the words of Ghoshal & Bartlett (1995) it is centred on 'horizontal rather than vertical processes'.

The creation of process organization can be a corporate strategy, or at least an organization-wide strategy, in its own right, although Porter and others call it operational effectiveness. Certainly business process management is an effective capability for integrating strategic objectives into daily management. While processes are typically organised to be customer focused, the process designs and plans can at the same time incorporate strategic, especially incremental QCDE cross-functional, objectives. This may require a mixture of altering process targets and some additional changes in the design and the management of a process, but usually these do not require any fundamental changes to how the work is being done. The process teams manage their process to the changed objectives and will monitor, and problem solve issues for both strategic and customer focused targets. Where strategic objectives require more substantial (typically project-led) change, then a number of processes may have to be redesigned or re-engineered in combination.

Dean & Bowen (1994) point out that TQM *"attempts to improve performance through process change are guilty by association with a simplistic management-centred and efficiency-obsessed conception of organizations and management,"* (408), in so far that it downplays psychological and sociological variables in performance (see scientific management). *"Management theorists may, however, have gone too far in emphasising socio-behavioural over process and technical factors in explaining variations in performance. Some organizations have experienced dramatic performance improvements through process redesign or re-engineering* [BPR]," (*ibid.*).

process management (see business process management, process)

process mapping (see lean production, process, value stream analysis)
Process mapping is used in business process management and lean production to document the end-to-end processes that define the functions of an organization to highlight the relationships and dependencies between the different parts. One version of it is value stream analysis, which is used to show where value is added or removed (muda) to the process and produce, and to identify any bottle-necks, duplication and other forms of waste, and can be used to identify a quality chain (see TQM). Process mapping can be used to identify a firm's core capabilities, those vital cross-functional processes that constitute a business model.

(strategy) process (or processual) view of strategy (see emergent view of strategy)

The strategy process school of research is concerned with how the internal (especially social) processes interact as a behavioural pattern of activities and tendencies over time. Pettigrew (1973, 1985) highlights the political and cultural context and how these are implicated in strategic action. The stress is on developing contextual explanations that problematicise rational choice theories, and strategy is seen as situated managerial action. Research considers how a sequence of events unfolds as change develops.

product-market expansion grid (see growth strategies)
H. Igor Ansoff (1965) explains there are four main directions to take in developing an organization's markets and products. He used a product-market expansion grid, sometimes called the growth vector matrix. Depending upon whether products and markets are new or not, four growth strategies are possible on the basis of different combinations of current and new products and markets: these are market penetration, market development, product development, and diversification.

product development & design (see design)
product development strategy (see growth strategies)

product (industry) life cycle (see strategic portfolio analysis, S-curve)
The industry or product life cycle was developed by consultants Arthur D. Little and is based on the premise that industries and products/services go through a life cycle of stages: this begins with a commercialisation (or introduction) stage, followed by growth, then maturity, and finally decline. Each is associated with different strategy (in marketing these are called programmes or marketing mixes). Arthur D. Little developed a matrix to show how the competitive position of a firm will be different according to its ability to compete for the different introduction, growth, mature and decline stages: there are five strategies for each of these depending on whether a firm has a dominant (near monopoly), strong (fairly independent of moves of rivals), favourable (no clear leader), tenable (niche), or weak (long-term survival unlikely) position. There are some similarities with the Boston Market Growth/Share Matrix. The commercialisation stage is typically like a question mark situation, the mature stage might be relevant for 'cash cows' and the decline stage might be associated with 'dogs'. However, the similarity between the growth stage and 'stars' is less likely: the growth stage may be categorised by fierce competition and the size of market share can be problematic. Cycle stages are hard to identify precisely and are even more difficult to forecast, since there is no standard length of cycles, the exact phase is always difficult to be certain about, and competitors often influence the length of the cycle. But the concept remains a powerful tool to clarify strategic thinking.

product-market expansion matrix (see growth strategies)
product market expansion grids (see growth strategies)

product orientation (see marketing)
This is a product-focused organization. A term associated in opposition to marketing oriented organization, where a company is managed around existing products and services rather than the (more) basic needs and requirements of the customers.

productivity gap (commoditisation, global-level strategy, best practice)

This is a belief that the UK compares badly with the USA, Japan, France and Germany. The UK Government has been concerned with how large sections of the economy can be encouraged to move away from low skill and low value practices towards creating higher value, to move to a competitive position that is not solely reliant on low input costs and an efficient business environment (Porter & Ketels, 2003). Teece (2007) noted the remarks of the former chairman of the U.S. Federal Reserve, Alan Greenspan, about *"the growing importance of 'conceptual products'...that growth* [in U.S. GDP] *reflects the embodiment of ideas in products and services that consumers value. This shift of emphasis from physical materials to ideas as the core of value creation appears to have accelerated in recent decades,"* (1321).

A important part of managing these changes is how a modern economy can adopt and use modern management practices: *"studies indicate that the UK has started to bridge the gap in the adoption of best practices, but that UK business still tends to use them less effectively and extensively...the main inhibitors are from internal factors such as poor management of change reflected in organizational rigidities (poor knowledge and HRM, lack of investments, lack of customers or external relationship),"* (Edwards *et al*. 2004: 16).

"The adoption of best or promising practices presents substantial challenges. This can be usefully illustrated with reference to recent developments in manufacturing sectors where the adoption of continuous improvement and problem-solving practices reflects the diffusion of Japanese management principles (Toyota Production System). Cooke & Morgan (1988) note many leading manufacturers have embarked on a process of experimentation involving a semi-permanent process of organizational innovation that is based on an attempt to create a more collaborative corporate culture, both within the firm and between the firm and its principal suppliers. This is indicative of a move away from the basic principles of scientific management and the adoption of policies dedicated to total quality and to active participation in new product development (Leonard Barton, 1992a). Advocates of lean thinking perceive an important shift with the factory floor increasingly seen as a place where knowledge can be created as well as applied, where production workers think as well as do (Womack et al. 1990). This has been characterised by the learning factory model...(Delbridge et al. 1998)...How such practices are experienced on the shop floor is open to contention. Notably, these studies adopting a normative approach (Oliver & Wilkinson, 1992; Womack et al. 1990) tend to take an ideal type view of such techniques assuming a unilinear interpretation of diffusion and appropriation. In contrast, critical studies of the Japanization of the labour process (Delbridge et al. 1992; Elger & Smith, 1994; Smith & Meiksins, 1995) have indicated that the borrowing of social innovations across contexts is more problematic. Recent work by Delbridge & Barton (2000) on the auto components industry supports this view: the degree of specialisation (relating to the use of specialists or specialist groups in the organization for problem solving and continuous improvement activities), the breadth of participation (relating to the level of shop floor inclusion in such activities), the degree of centralisation (relating to the role management in such activities), and the level of standardisation or the procedures governing group problem solving – are all likely to differ. They argued that developments at individual plants are informed by the social and institutional context of operations and by the plant's specific history (Delbridge & Barton, 2000: 188). This supports what Elger & Smith (1994: 46) have contended in that the

selection and interpretation of social innovations, such as those associated with Japan, of necessity are mediated and interact with home grown, conditions and existing practices...these local conditions often reflect a set of considerable inhibitors...Notwithstanding, the appropriation of promising practices remains possible as long as managers and employees are able to access and use knowledge" (*op cit.*: 18-19).

Of course, the origins of the UK's problems may lie in a possibility that the country found itself in the wrong areas. The historical success of the UK's economy in adjusting organization, technology, and institutions, induced a subsequent inertial lock-in that was badly suited for other technological and competitive circumstances when they eventually occurred (Lazonick, 1990; Lorenz, 1994). This is an extension of the competency lock-in argument (see exploitation & exploration). For a review of general influences on productivity for the OECD, and the UK in particular, see Wolf (2005b). The productivity gap between the UK and its US and European competitors narrowed for about ten years, but around 2003 this improvement stopped: some press comment has blamed a negative productivity growth in the UK's public sector (Elliot, 2006).

However, the UK may be doing relatively better than some of its major competitors in terms of economic growth. Using and extending the Albert (1991) characterisation of two basic forms of capitalism, Whittington (2001) suggested there could be a link between how firms in national economics approach strategy, and overall economic performance of countries. In Germany and Japan the model is one of close cooperation between banks and enterprises, a paternalistic state and a communitarian view of manager-worker relations, which *"translates into a long-term view of strategy, a readiness to invest in equipment and training, and a respect for the hands on skill required for technology and production. This is a view of strategy which, while not adverse to planning, also values the bottom-up, instrumentalism...On the other hand, there is the Anglo-Saxon model, associated with turbulent financial markets, and inpatient leaders, hostile takeovers and a hire-and-fire approach to labour* [and to PLC executives]. *The consequences for strategy are an emphasis on short-term financial results, an aggressive external orientation to strategy, and a high valuation put on speed and flexibility. Again, this Anglo-Saxon approach does not rule out Classical planning, but it feels very comfortable with the ruthless evolutionary logic of survival of the fittest. These characteristic national approaches to strategy can have a big impact on national economic performance...the German/Japanese model of strategy was generally associated with economic success across the Pacific, the Japanese beat the United States from 1960-1990, while within Europe, the Germans stayed ahead of the British until the 1980s. These periods were still dominated by the demands of large-scale mass-production of traditional goods – cars, consumer electronics, chemicals and the like. Planning ahead, but also the bottom-up contribution of committed and highly skilled workers to quality and continuous improvement, were critical in these conditions. The Anglo-Saxon economies, on the other hand, have taken off especially on the most recent period of the late 1990s, characterised by the shock of transition towards the new economy of information, services, and the Internet. It looks like the fast-moving, flexible and sometimes ruthless strategizing of the Anglo-Saxon economies is better to the emergent economic conditions of the twenty-first century than the careful*

instrumentalism of Germany and Japan." (Whittington, 2001: 5). This thinking might be called into question post credit crunch.

There is manifest evidence to suggest that German and Japanese firms have been less financially-centred (Carr & Tomkins, 1998; Simon, 1996). Whittington noted that these differences are linked to the social systems of these countries in which they are embedded, and he noted that to change the models to suit particular times and places, means change is also necessary in the social systems in which they are rooted. Whittington does not say so, but China is perhaps a good example as it moves from a primarily based command and control to a commercially-based economy.

However, much of the improved performance of the Anglo-Saxons may in part be due to Japanization, and the attempts by (Anglo-Saxon) global firms to reconcile both models (see centralisation and the example of BP). Also there are signs that Germany and Japan are recovering and seem now to be at UK's GDP growth levels, while the US is only a little ahead. It is also doubtful if Germany is sufficiently like Japan to think in terms of a single model; for example, Germany seems to favour a bureaucratic approach to strategic planning (Carr, 2007), while large Japanese firms favour more flexible forms like hoshin kanri.

productivity paradox (see organizational linkages)
professionalism (see functional management)
profound knowledge (see PDCA)

project management (see cross-functional management, turnaround)
A project is an organized and finite series of activities concerned with a particular issue that is a 'one-off' and finite, rather than routine activities. Projects are a common vehicle for developing corporate strategy, especially when corporate objectives must be identified and the associated strategies and means clarified and worked out. A project is an organized series of activities that is finite, unlike other activities in an organization, which are more or less being permanently carried out to achieve (what is primarily) routine behaviour. The non-routine nature of projects means that their management is distinctly different, with a greater emphasis on developmental planning and organizing to achieve specific non-routine objectives and timelines. In particular, a project typically brings together people with different skills and backgrounds, and who may normally may not otherwise together so closely.

Projects range from the very formal, such as a programmed approach for meeting a strategic plan's specifications, to the more open and developmental; when the final outcomes may be very uncertain at the start and only as the project progresses does its scope harden and involve people (and resources) who have the necessary expertise. Project management should follow PDCA principles; the check and act phases of the cycle should be organised around an effective management of review (involving full participation, at pre-arranged dates and places) that gives full attention to breaking action into manageable steps. This requires that a project leader takes ownership for the project planning and review.

Strategic projects typically take the form of management-led special task teams. These are typically cross functional and may act to manage different aspects of a

strategy, such as a CSF. If these are to work effectively to the benefit of the whole organization, the following should be considered and addressed:

- How the project contributes effectively to the organization's key strategic priorities, including the measures of strategic success.
- How the project should relate to daily management. The philosophy of approaches such as BPR is to transform existing daily management, and this often predisposes senior managers from involving participants from this level, especially if they fear that vested interests will kill new ideas. This contrasts with hoshin kanri, which aims to involve those who must implement project work into daily management.
- How the project relates to stakeholders, such as those in the external delivery and supply chains.
- How senior management commitment and involvement are managed so that they are made obvious to all. This is important to the timing of projects and the resources that others make available; the senior level must make it (constantly) clear what its strategic priorities are.
- How the experiences of project working and the lessons learnt are extended and used by the wider organization.

Three articles were published in the Harvard Business Review about the role of projects to develop new products and processes for organizational learning (Bowen et al. 1994a, 1994b; Leonard Barton et al. 1994). This work suggested projects should be reviewed to ensure that a team's experience transfers to others in the organization. The use of co-ordination centres, such as NASA's mission control room idea, may be necessary where high degrees of complexity and uncertainty are special contextual features (Burt, 2002a), or in hoshin kanri an administrative centre to co-ordinate the review of strategic objectives and the work of improvement teams.

Sirkin *et al.* (2005), considered the use of projects to handle organizational transformation, argued that four main (they called them 'hard') factors are important: project duration (especially the time between project reviews); performance integrity (the capabilities of the teams); the commitment of senior executives and the staff who will be most effected, and the additional effort that employees must make to cope with the change. Obvious mistakes included starting too many major initiatives simultaneously and inconsistency in the objectives across them, especially for what this meant for competing resources and staff time. Projects should be linked to corporate priorities, and their interconnectivity should be managed.

prospector company (see Miles & Snow)
public relations (see corporate image)

public sector management (see KPIs, regulation, targets)
The size of the public sector is likely to increase as the effects of an aging population work themselves through. Clear productivity gains are needed if pension and healthcare provisions are not to drive up taxation to high levels and strategic management seems likely to become more important. In the public sector *"strategic management cannot be based on the competitive stance of different organizations and cannot choose product/market mixes on the basis of profit margins. Strategic management in the public domain expresses values determined through the political process in response to a changing environment,"* (Stewart & Ranson, 1994: 55). This

does not imply that strategic management is fundamentally different. While according to Porter (1996) real strategy is based on competitive difference, strategy and strategic management are primarily about the management of an organization's longer-term purpose, and *"strategy should express political purpose, not competitive strategy,"* (Stewart & Ranson, 1994: 65).

Joyce's book on strategic management for public services, argued that strategic management can *"help new public services emerge. It can do this by helping to decide what should be done and how it should be done, and by creating the dialogue and consensus needed to make the changes. In the absence of effective strategic management, the new public services will still emerge, but in a more haphazard way. Strategic management, done well, can help the called-for transformation to occur more efficiently and creativity,"* (Joyce, 1999: xii). This noted two strategic developments considered especially important: *"the experimentation with inter-organizational and community-based strategy, and a need to find ways to ensure that strategic management achieves both performance effectiveness and innovation,"* (ibid.).

Public administration and public management are subjects in their own right (Massey & Pyper, 2005). In order to clarify the role of top managers and the democratic representatives they serve, a distinction is emphasized between strategic policy on the one hand, and operational management on the other. The executive is primarily concerned with results rather than process, and in recent years public agencies have tended to a steering and enabling role rather than direct service provision. A key feature in this has been performance management and auditing against key performance indicators. This tendency works against the idea that an executive should be participative and runs contrary to the idea (most prevalent in Japanese management) that senior management should understand and manage process.

The practical issues of how to strategically manage public sector organizations should take into account a need to recognise the influences of any processes of bargaining and negotiation among powerful internal and external interest groups (or stakeholders). Many organizations in the public sector are complex professional bureaucracies characterised by the involvement of professional groups in strategic decision-making. They expect to be consulted and to have the chance to debate how their organizations are changing. However this should not negate the necessity of strategic management, nor a need for transparency in publicly managed affairs in a democracy. People working in public bodies serving elected representatives feel it is difficult to manage strategically because policy is subject to change and may reflect adversarial (even secretive) political aims. In fact, commercial organizations are also subject to quite frequent changes in policy and personnel (and are subject to internal politics) both at the governance and executive levels. Public sector organizations may even be more stable.

Joyce (1999) argued that the focus in strategic management for public services is switching from goals and missions to the management of issues, and from measurement of performance to problem solving. The interest is in building coalitions for change when strategic management is likely to be very pragmatic *"in facing up to the existence of rival interests and* [being] *creative in the use of conflict to bring about innovation...it becomes unconvincing to argue for the strategic*

management and planning process to be copied from the private sector...implies a stakeholder-oriented practice. The key stakeholders include professionals and other employees, the public (service users and citizens), and other providers (including other public services organizations)...complicates strategic management by requiring action to ensure intra-organizational and inter-organizational coordination, as well as extensive consultation with the public...action is needed to turn stakeholders into a coalition for change," (170).

The subject of stakeholder management, priorities and interventions, is primarily a subject for corporate governance and public relations. A key problem area is the extent to which public representatives (as for senior managers) should intervene (or interfere) in actual instances of management rather than restrict themselves to making public choices and strategic goals. Publicly elected representative should represent their constituents and this implies a right, if not to intervene, then certainly to closely question practice. In fact, as Joyce noted, public agencies may have generic strategies that position public services organizations to deflect or stall public pressures.

The 'new public sector management' is a term coined from UK experience (Hood, 1991), although parallel work in the USA was published around the same period (Osbourne & Gaebler, 1992). Hood (1991) argued new public sector management has seven doctrines: (1) a focus on hands-on and entrepreneurial management, which is different to traditional bureaucratic public administration; (2) explicit standards and measure of performance; (3) an emphasis on output controls; (4) the disaggregation and decentralisation of public services; (5) the promotion of competition in the provision of public services; (6) a stress on private sector styles of management and their superiority, and (7) the promotion of discipline and parsimony in resource allocation. The view of the present Labour government is that it does not matter who produces public services providing that are of an appropriate standard. In general, western governments see their role as strategic, i.e. one of steering and strategic control, while the responsibility for service delivery is devolved to staff, operating within a system of *"continuously monitored management by objectives with accountability for results,"* (OECD, 1994: 54). In the UK case, government departments agree goals and targets with public agencies, and set the resources and management framework. Also the government has followed an approach towards much of the public sector, which has encouraged autonomously managed organizations, but which are subject to extensive regulation, and centrally determined KPIs have also been used to compile league tables to rank institutions on comparative performance.

An important issue is how to manage strategies and priorities across departments, agencies and other partner organizations, so that the issue concerned is dealt with in a consistent and joined-up manner. For example, in the case of local councils in the UK, local area agreements and local partnership boards encourage council departments to work with other agencies, such as the police, health, charities and so on. Cooperation and coordination is required in business planning and in setting budgets. (See 'delivery units'.)

New public sector management has been criticised as a managerial paradigm, which because it seems to endorse a neo-liberal philosophy (Adam Smith, for example, in *The Wealth of Nations* had argued for a government structure that made use of

incentives), works against joined-up government since it has encouraged more fragmentation (Bogdanor, 2005). In the late 1980s *"it was clear that the traditional understanding of the civil servant as a mere functionary reporting upwards to his or her minister was no longer adequate. Instead, the civil servant was to be regarded as a leader, a manager of the public services. At the same time, the self-regulation of professionals came under challenge since, so it was alleged, it had led to public services being run too much in the interest of professionals with insufficient attention being made to the needs of the users. Emphasis, therefore was to be laid upon consumer satisfaction in the running of the public services, and this led to a regime of monitoring, targets, and what has been called an 'audit explosion...During the 1990s, however, it became clear that this managerial paradigm too was inadequate. For the new public management had encouraged the fragmentation of government, a development inimical to a serious assault on the wicked problems"* (Bogdanor, 2005: 11). *"A wicked issue is one that posses a problem for which the solution is either intractable or not easily found, perhaps because the uncertainty or disagreement about its causes. 'Wicked problems', it has been said, 'have no definite formulation and hence no agreed upon criteria to tell when a solution has been found'* [Clarke & Stewart, 1997: 1]*...problems seemingly very strongly rooted in society, but deeply resistant to traditional departmental approaches,"* (Bogdanor, 2005: 6).

Accenture offers its own approach for measuring the performance management of public organizations, which is called a public sector value model. This applies the principles of shareholder value to the public sector, postulating that citizens value a maximum basket of outcomes, but generated in a cost effective manner (Jupp & Younger, 2004). Accenture argued that shareholders want to maximise growth to generate economic profit that is financially sustainable, where high performing companies exhibit high levels of growth and high returns on invested capital, minus the weighted average of the cost of capital. High performing government organizations, on the other hand, achieve not growth, but maximise outcomes that reflect mission, but in a most cost (annual expenditure plus annual capital charge) effective manner. This begs questions about agreement and consensus on 'outcomes' and the level of reasonable cost, given the collective (rather than market) nature of many public services.

In recent years the UK government has favoured a private-public partnership (PPP) approach to the management of public sector investment. So for example, the strategic management of the London underground system had involved a 30-year PPP with the London Underground, which is funded by ticket revenue and public subsidy, and Metronet Rail. This latter organization was a private company with shareholders, including EDF, Thames Water and several banks, and which was responsible for maintaining two-thirds of the underground. Metronet failed and was put into administration in 2007, incurring large costs to its stakeholders. A lack of transparency of cost management in Metronet's supply chain has been offered as one of reasons for its failure (Commons Public Accounts Committee, November 7, 2007).

publicly-quoted companies (see corporate governance)

purpose (overall) (see stakeholders, mission, vision, values)
Purpose is the primary and basic reason for the existence of the organization. An organization's purpose is the starting point for strategic management. It is about what

an organization exists for and it conditions the way in which executives and other senior managers take responsibility for strategic management. Purpose is articulated at the top level and communicated through purpose statements about vision, mission, and values.

However, 'purpose' is not simply about communications, but it determines how a leader manages the organization. So, for example, when New York mayor, Giuliani, *"considered an agency* [he] *tried to look at its core purpose and direct every decision based on how well it helped advance that purpose...aligning the resources and focus along with that purpose.* (300-1) *...finding the right organizational structure starts with a mission. Then you have to identify your aims, and what you should do to achieve them; find the right people for the job; and constantly follow up to make sure everyone is sticking to the original purpose, that no one's taken over your team and sidetracked them. My interest in avoiding the pitfalls of organizational confusion began years ago, when I was the US Attorney for the Southern District of New York. That's when I began to develop an approach to managing based on organizational structure. The first question is always, 'What's the mission? Ask yourself what you'd like to achieve – not day-to-day, but your overarching goal. Then assess and analyze your resources...think about the job thematically...means just not making use of my own resources, but thinking how best to integrate them with outside resources. Consider organized crime. Checking it against our mission statement reveals that prosecuting its leaders was obviously worthwhile. The goal was not to tot up a number of arrests and score convictions, but to eliminate some of the organizations – a far broader purpose. So first we looked at the resources available to us.* (306) *...Any complex system will inevitably evolve in ways that no longer make sense when circumstances change...A leader has to be aware of mismatches...The organization of systems was a top priority for me.* (315)*...Anyone leading a large organization risks losing a feel for the forest while managing the trees. I deliberated on the purpose not only of individual agencies, but of government itself. I'd go through the questions: What are we here for? What are the available resources?* (317)*...The reality is that there's only so much a city government can do - or should do....One of my immediate goals was to streamline the government to allow us to focus on our major priorities.*(318)*...The organization chart is not simply a cold management contrivance. It's a living, evolving tool a leader uses to send a message – to those that work for him, and even to remind himself – regarding the organization's goals and priorities.* (319)*...I always strive to determine the purpose of an organization, then to set it up so that everything else flows from there."* (Guiliani, 2002).

Bartlett & Ghoshal (1994) argued purpose should replace strategy: senior management clarifies purpose and communicates it to the rest of the organization, and it is then the job of others to determine the means to achieve it. Drucker (1955) stressed the importance of the customer, *"If we want to know what a business is we have to start with its <u>purpose</u>. And its purpose must lie outside of the business itself. In fact, it must lie in society since a business enterprise is an organ of society. There is only one valid definition of business purpose: <u>to create a customer,</u>"* (34-35). *"Nothing is less productive than to make efficient what should not be done at all,"* Peter Drucker quoted in *USA Today*, July 5, 2002. However, customers constitute only a single stakeholder, and it can be argued that it is necessary to create value for all stakeholders (mission statements commonly define what a business does in terms

of the needs its stakeholders including its customers). The key thing is to manage the balance of interests as Drucker noted (see balance).

"Theorists have clearly expressed the multiple goal nature of organizations. Gross (1968) described a 'matrix of purpose' involving seven categories with two or more sub-purposes (goals) to each category. Drucker (1955) prescribes eight purpose areas, arguing that an organization must establish one or more goals for each purpose area. March & Simon (1958) note this multi-goal characteristic of real organizations and describe decision-makers as 'satisficing' many goals rather than maximising multiple goals. There is empirical work to support this theory," (Kirchhoff, 1977: 349).

In writing about economics Loasby (1976) argued that purpose is fundamentally founded on belief: *"some kind of belief system is essential for life, and even for that part of life which is the subject-matter of a single discipline. Nothing can be explored unless much is unquestioned; and the greater the precision of detail, the greater the need for belief* (27)…[in the sense that purpose is founded on belief, rationality may only] *concern itself with means not ends,"* (124).

The notion of certainty of purpose is typically central to visionary leadership. However, while a common purpose is a useful fiction for cementing organizational cohesion, it is in essence a non-operational goal, as in reality organizational performance will really depend upon several purposes – say, as represented not only by a vision, mission, but also values. In terms of thinking about how to determine its primary overall purpose, an organization usually starts from its existing position, and will seek self-justification.

While purposefulness is essential to any organization, administrators spend considerable time clarifying, changing, and formulating it: it can be embarrassing, because human purposefulness is too complex and intimate to be understood or openly described - ask someone what their personal purposes are. The aggravation and integration of interests deal effectively with resolving interest conflicts; conflict is typically resolved through avoidance, deadlock, victory or defeat, and compromise. Administrators *"Usually learn from sad experience that considerable bitterness is usually involved in the process of pulling together the many interests of many people. If some interest may be satisfied, others may be frustrated, diverted, displaced or transformed,"* (Gross, 1968: 316).

Purpose can be expressed formally as statements; for example, at Ford (www.frod.co.uk):
- *Our Vision: to become the world's leading company for automotive products and services.*
- *Our Mission: we are a global, diverse family with a proud heritage, passionately committed to providing outstanding products and services.*
- *Our Values: We do the right thing for our people, our environment and our society, but above all for our customers.*

Most companies and many organizations have such statements. However, they are often *"a set of generic platitudes that do nothing but leave employees directionless and cynical. Who doesn't know of a mission statement that reads something like,*

'XYZ Company values quality and service' or 'Such-and-Such Company is customer-driven'. Tell me what company doesn't value quality and service or focus on its customers!…By contrast, a good mission statement and a good set of values are so real they smack you in the face with their correctness," (Welch, 2005: 13-14). There is also a danger with purpose statements, especially vision, that they may give the impression externally that ideals are guarantees. If the customer is led to think that an aspiration is a promise then this promise should be reflected in what the company actually does, especially in the detail of their operations, otherwise it will be seen for what it is - pretence. Dell, whilst its purposes statements claimed a customer focus, in practice its service fell short (see customer relationship marketing). The lesson is that purpose statements must be managed carefully, especially in relation to what they mean to an organization's stakeholders. They should not be used too freely as instruments of public relations, nor should they imply a present level of service and value which are unrealistic.

Several writers who focus on how organizations actually behave (classically, Mintzberg) would disagree that organizations have purpose in a rational top-down sense. However, my assumption is that it is managerial useful to articulate purpose, if strategic management is to be a managed process. Some scholars also feel that patterns of behaviour form and develop over time, so that decisions taken within this (often a cultural and behavioural) framework, are in fact really rational responses to circumstances - the basis of logical instrumentalism (Quinn, 1978). So things are not necessarily clear cut about purpose! No one can say that purpose statements account for success, but it is probably good practice to have them. More to the point you cannot argued that something is good management, without an explicit purpose! Purpose is to do with intent: it is not the same thing as a reason. Many things exist with no intent at all! Purpose provides a rationale, but don't confuse this with the reasons for why something exists. The senior level must spend all its time with purpose. No strategic decisions should be taken without reference to purpose.

QCDE (quality, cost, delivery, education/people) (see cross-functional mgt)
This is a group of categories of objectives where Q = quality, C = cost, D = delivery, and E = education/employee concerns, which originated in Japan in the early-1960s when cross-functional management committees were established at Toyota and Komatsu. Each QCDE set of objectives was given its own corporate level management committee, to facilitate and drive review of the QCDE objectives through the planning cycle (Koura, 1993). Today the QCDE scheme (if not the use of management committees) is universal in Japanese and many western hoshin companies (such as Hewlett-Packard), especially within engineering-based industries, like car making. The idea is to create a harmony of objectives (Soin, 1992), which is practically stating the same thing as 'balance'. The QCDE scheme is used to translate objectives at every level of the firm, including within the specialist areas, as a common language to facilitate transparency and cross-functional problem-solving. With the advent of the balanced scorecard (the QCDE categorisation resembles the four perspectives) QCDE objectives are sometimes called a 'scorecard'. Quality objectives normally cover customer considerations. Cost covers efficiency and financial objectives. Delivery covers processes, logistics, and innovation. Education includes objectives that concern the management of people, and in many western organizations a 'P' for people is preferred. At Toyota (UK) the QCDE scheme is called the Performance Improvement Framework and it is used to drive the

development of action plans in all departments. The categories are slightly different but the principle is the same and annual objectives are set under Safety, Quality, Cost and Production, People (this is an all-embracing category linked to the other three). Ford used what it calls a Master Schedule with categories of Safety, Quality, Delivery, Cost, Morale and Environment. Senior managers set these annually, and review them on a monthly basis. The QCDE approach is used as part of lean working to give everybody stretch targets and to drive continuous improvement. Increasingly the QCDE objectives are referred to as scorecard (the development of the balanced scorecard at Analog Devices was influenced by Japanese management). Soin (1992) argued that they ensure balance. He observes that the *"concept of QCDE is meant to ensure that nothing important is overlooked...In TQC philosophy the QCDE categories are considered essential for business success; progress in each category will help keep a company robust, healthy, and competitive. Complacency in any category may cause problems,"* (1992: 62). Some Japanese organizations support QCDE objectives with cross-functional management structure that includes senior management committees that organise the setting of the QCDE objectives, ensure their annual deployment across functions, and which take responsibility for organization-wide QCDE periodic reviews. In this context QCDE objectives are called by many Japanese, especially in the context of hoshin kanri, 'control items', because they are central to keeping an organization's core processes under control. QCDE provides a common language of objectives for the whole organization, as well as for organizations in a supply chain.

quality (see total quality management, zero defects, lean working, gurus)
Quality has two meanings: a general one and a purpose-specific one. The former sees quality as an attribute of excellence: for example, a bottom of the range (economy) car may be perceived differently from a top of the range (luxury) car, as low compared to high quality. The latter relates more specifically more specifically to the value or utility expected by the purchaser or user: for example, it is possible to produce low (or high) quality products for both economy and luxury cars. Quality is defined within total quality management (TQM) by how a customer sees it; in other words, by customer requirements.

Quality management makes a distinction between levels in the quality of a design for a product/service and the levels of quality of conformance to that design (Oakland, 1989). The first is the extent to which a design (or plan, specification) accurately reflects the needs and expectations of the customer or user. The second is the extent to which work (or a process) is able to progress and achieve the design. The idea that quality is based on customer expectations drives management philosophies such as lean working, and related business methodologies such as PDCA based TQM.

quality & strategy (see operational effectiveness)
Customer driven quality is a key component of organizational success since it is likely to influence a company's competitive position. Some advocates of quality go further: *"if an organization is continuously improving quality, other strategic considerations are of secondary interest at best. This position may be based on the idea that improving quality drives improvements on other sources of competitive advantage, particularly cost...This position is in sharp contrast to the traditional treatment of quality in the strategy literature. From the management theory standpoint, quality is a potentially important source of competitive advantage, but*

only one among many. E.g. quality is one basis on which a firm can pursue a differentiation strategy, but such a strategy can also be based on factors such as speed, safety, and convenience (Porter, 1985). Furthermore, although quality is also important for firms that are pursuing a low-cost strategy, its role is limited in this instance to ensuring that efforts to achieve a low-cost position do not compromise quality to an extent when customers feel they must turn to higher priced offerings (Porter, 1985). Finally, high quality does not ensure competitive success; marketing issues such as timing and technical standards can undermine even the finest of products. To some extent [it] *depends on the definition of quality...if quality is defined as meeting or exceeding customer expectations, it can be seen as comprising virtually any source of differentiation...When quality is more narrowly defined (e.g. performance of products, presence of features), strategy scholars have a harder time accepting the grandiose role for quality proposed by TQ advocates.*

"TQ proponents strongly emphasize strategy implementation, or deployment, as it is often called in this literature...The best known TQ approach to strategy implementation is hoshin kanri, a Japanese term translated as policy deployment. In this approach, top managers annually develop strategic priorities (e.g. improved quality, better safety) for their firm. These priorities are then deployed throughout the organization, with progressively more detailed plans for achieving them established at each level. This assures, at least in theory, that all of the improvement efforts in a prioritised area are consistent and focused on the policy goals of top management.

"In contrast, [strategic management] *theorists generally have emphasized strategic content over strategic process, and the strategy formulation process over strategy implementation. Strategy scholars have certainly not ignored implementation... Nevertheless, strategy researchers are mostly concerned with what strategies allow firms to compete effectively or how these strategies are chosen, rather than how they can be effectively implemented...strategy scholars should intensify their efforts towards development of strategy implementation theories. One important research issue is the relative effectiveness of the essentially top-down implementation models prevalent in TQ and the consensus-oriented models found in management theory (e.g. Floyd & Wooldridge, 1992b).*

"The focus of strategy from the TQ viewpoint is simple: strategy consists of understanding what customers want and aligning the organization with a set of plans to deliver it to them. From this perspective, one would expect the strategies of organizations in the same industry to converge, as each seeks to focus more closely than the others on the same customer needs. We know, however, that different groups of firms often successfully utilize different strategies in the same industry (e.g. Miles & Snow, 1978). This finding implies both that there are multiple ways to satisfy customer needs and that individual firms are unlikely to be all things to all customers. Moreover, the presence of multiple strategies suggests that strategy must be responsive not only to customer needs, but also to the core strengths and weaknesses of the organization (e.g. Prahalad & Hamel, 1990). The idea that strategies are viable only if they can be effectively implemented by the organization is well established in the strategy literature. It should be reflected in a more nearly comprehensive understanding of strategy among managers subscribing to TQ.

"A final difference between the TQ and strategic management perspectives concerns their respective approaches to strategic process. From a TQ standpoint, the processes of strategy formulation and implementation are no different from any other business or operational process (e.g. billing, injection moulding), which is to say that

they should be continuously subjected to analysis and improvement. This is exemplified by the Baldrige criteria, in which points are awarded for 'how the company evaluates and improves (1) its planning process and (2) [the deployment] *of plan requirements to work units.*

"Strategic management researchers, in contrast, have devoted little attention to the improvement of strategic processes. Rather, the literature has been focused on explaining variation in these processes in terms of size, structure, and so on…This difference in perspective raises an interesting question. If strategic processes are indeed a product of relatively stable organizational conditions, how likely is it that firms will be able to change them? Are TQ advocates naïve and unrealistic in insisting on continuous improvement in strategic processes, or are strategy researchers insufficiently optimistic about top managers' capacity to practice it? Some aspects of organizations are relatively easy to change, others nearly impossible (Hannan & Freeman, 1984). Where do strategic processes fit?" (Dean & Bowen, 1994: 403-404).

Much of the quality management literature suggests the issue is that strategic plans or strategy do not include quality goals. In fact the real issue is how the strategic management process is managed. If it is managed to PDCA principles then quality should be built into strategy at every level.

(national|) quality awards (see performance excellence models)
quality chain (see TQM)

quality circles (see TQM)
These are voluntary improvement teams or groups typically from within a given functional area that problem solve and/or suggest improvement activities. In some TQM companies these are called kaizen teams, and their progression is essentially free flow, developing a theme for solution and implementation. Circles were one of the first Japanese ideas to be adopted in the West in the 1970s, but they had largely gone out of favour by the mid-1980s. This was due to a lack of a focus and many were considered by management as peripheral (Lillrank, 1995). Teams typically lacked a TQM to function in, and the necessary training to solve issues (see quality tools) and make recommendations to senior management (which frequently ignored suggestions for cost reasons or because of uncertain knock-on effects for elsewhere in the organization). This adversely effected team motivation and later led to commitment problems when TQM was eventually introduced.

quality control (see total quality management, quality tools)
Research suggests that quality management has developed over time through a number of broadening stages (Witcher, 1995): (1) quality control, (2) quality assurance, (3) total quality, (4) TQM. A lot of TQM today is called business process management. Strictly, quality control is a reactive and limited form of quality management. Its characteristics are a containment of poor quality by inspection to some predetermined level of an acceptable quality standard. Inspectors were employed to separate the good from the bad. The disadvantages of this are that a 'pass it on and if it's wrong the inspectors will find it' mentality can grow up; also no matter how good inspection is, some defects will always get through. Quality assurance puts an added emphasis on design. This is about prevention, getting the conditions right before hand. Design requires specialists and so quality assurance is

usually managed by quality management function. The problem with this is that the responsibility for quality remains with management and not the operative (quality is the responsibility of the quality department). At its simplest, total quality is quality assurance that is extended to the whole organization, not just a production line. Feigenbaum wrote about 'total quality control' in terms of its integration through all the stages of production, from design to final shipment (1951, 1956). This was probably the true genesis of TQM as a theoretical concept. Feigenbaum originally saw quality management for the whole organization as a quality system, a recorded set of procedures and responsibilities to which people must work to achieve standards. However, company-wide systems are difficult for a specialist quality management function to administer, and general not functional organizational principles are necessary. This more general orientation moved quality management from being purely a control function to a more general management and strategic function. Total quality became total quality management when it became a business process based approach to organization-wide management. As such it was a customer oriented way of working rather than a documented system form of company-wide quality management system.

quality function deployment (QFD)
This is a design approach associated with TQM (Hauser & Clausing, 1988; Akao 1990). It is used to translate external customers' requirements into technical specifications for each stage of the design of a product or service. At its most simple, this is done through three stages: the translation of the customer needs into technical elements, technical elements into planning requirements, and planning requirements into the control requirements of operations. It ensures that the original voice of the customer (VOC) is not lost sight of during any part of the design and development process. The stages are shown as a set of matrixes, with the 'whats' (outcomes) on the horizontal axis, and the 'hows' (means) on the vertical axis; the relationship between the two are summarised as 'whats' for the next stage where they appear on the horizontal axis of another chart. This process is used to agree the main priorities and trade-offs. QFD can be applied to a supply chain and used by external suppliers.

Target-Means Relationship Matrix: Deployment of hoshins

First level of deployment

Second level

Third level
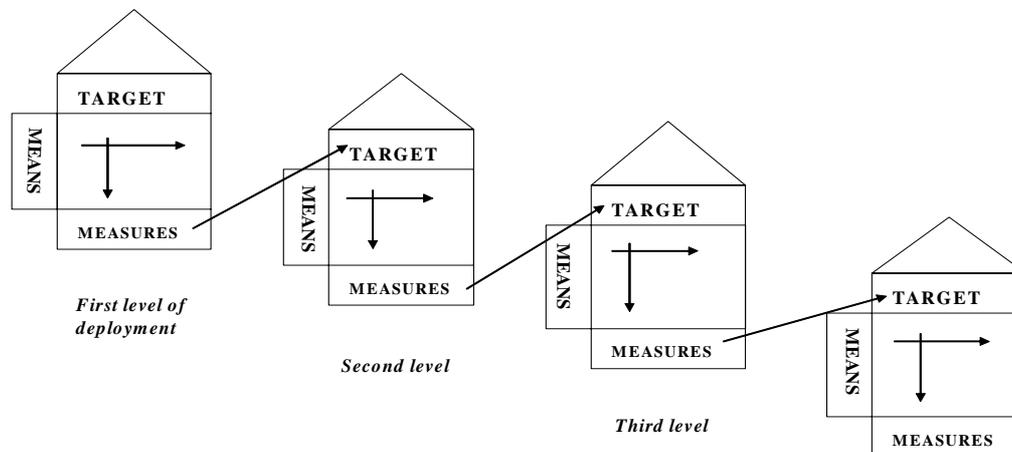
In a Japanese context a QFD-like approach is suggested as a preliminary check by senior management to see how possible hoshins might be suitable for the organization (Akao, 1991b). This uses a target-means relationship matrix chart (above) to display a hoshin target (as the 'what') on the horizontal, and the means to achieve the target (as 'hows') on the vertical. The relationships between the two are identified and used to derive a set of prioritised measures. These are then used to consider the targets (and means) at other levels, and the process continues until an overall impression of how hoshins might be developed is obtained.

quality maturity grids (see maturity girds)
quality gurus (see gurus)
quality system (see ISO 9000: 2000)

quality tools (see strategic transparency, TQM, six sigma, PDCA)
The Japanese developed what were originally western statistical quality control (SQC) techniques after the Second World War. Kaori Ishikawa, head of the Japanese Union of Scientists & Engineers, expanded the use of these in Japanese manufacturing in the 1960s with the introduction of seven elementary statistical quality control tools. These enable teams and individuals to manage their own process, including process design, monitoring, and to problem solve any issues. A principle is that decisions should be made systematically, in good time, and should be based on facts, sometimes called 'management by facts'. Quality tools enable, or empower, people to manage their own work, particularly, where they use the PDCA cycle. Kondo (1988) lists the quality tools as the stratification of samples, Pareto diagrams, check sheets, histograms, cause-and-effect diagram (sometimes called a fishbone diagram), graphs such as control charts and scatter diagrams. These are used to monitor, collect and display data, problem-solve causes and solutions, identify linkages, and prioritise actions. There are of course other techniques, such as regression analysis, process capability studies, analysis of variance, and value analysis. For short illustrations of the quality tools, see GOAL/QPC (2003). In

addition to the original seven there are another seven so-called 'new' tools, designed primarily for cross-functional management. These include the relations diagram, affinity diagram, tree diagram, matrix diagram, matrix data analysis diagram, process decision program chart, and the arrow diagram.

It is not the tools themselves that are important, but that individuals and teams identity issues and work them out in a way that bases decision-making on observed facts. The important thing is that tools should be easy and adaptable to suit anybody, so they are able to manage their work, especially when following the PDCA cycle of process management. The power to self-manage work is sometimes called self-control (especially in Japan) and was a term used in conjunction with MbO in its early days. Working out issues should be at a level sufficiently deep enough to ensure that the issues are properly understood, so that the derived solutions are fundamental enough to stop a reoccurrence of problems. Thus 'facts' should never be accepted at face value. Shingo, as a part of his Scientific Thinking Mechanism, advocated asking what, who, how, where and when. Another approach is to keep asking 'why?'. *"The basis of Toyota's scientific approach is to ask why five times whenever we find a problem...By repeating why five times, the nature of the problem as well as its solution becomes clear...Five Whys equal One How (5W=1H),"* (Ohno, 1988: 123). Poorly run companies are as likely to ask who five times to apportion blame, rather than seek causes.

Facts must relate to real issues and data should not be collected for collection's sake. Data should indicate something that is directly relevant to an issue under investigation. So information should reflect currency and beware a tendency to internalise external data, which must never be taken for granted or face value and but should be checked for its validity. The problems of data collection are often complex; a common approach to problem solving and process management, supported by training, is necessary.

Beware a temptation to only look at special cases or causes. It is not only the out of the ordinary events (special causes, runs above or below the pervious mean, statistical significant trends, etc – things that suggest an activity or process might be going out of control) but also the questioning of average performance, and ordinary process variation (such as noise in the system), are equally or even more important. Another consideration is the visibility of cause and effect. If people in general are familiar with using quality tools, in conjunction with PDCA, then this gives everybody a common means for joint-problem solving and helps communication across the organization. This is important to strategic transparency – a common way of seeing and awareness (more important perhaps than the accumulation of knowledge *per se*) when people are aware not just of overall objectives, but also can see linkages during problem solving for other parts of the organization. The use of quality tools is associated with operations, but they should also be used to manage any business process, including ones at a senior management level, including strategic management – when a strategic objective may be formulated on the basis of evidence and problem solved like any other course of action.

Quality tools are sometimes known as statistical process control (SPC) tools. Many of these are widely available through user-friendly software. A good software system should present process-based data in an easy time-series format that enables the use to

high variations in performance. It should be simple in ways that make it accessible to all. This data should be available to everyone in chart format, and people should have the ability to create a dashboard of measures that show systematic performance at a glance. The system should allow people to compare performance from source data, enabling teams or individuals to explore variability between work and its locations. This should include an ability to create Pareto charts from source data, particularly to help identify priorities and explore underlying root-causes.

RBV (see resource-based view)
reactor company (see Miles & Snow)

realism & practicality (see objectives, strategic intent, evidence-based policy)
Ideas are forged and tested in the fires of realism and practicality. Strategy, policy, and organizational learning, must take account of both to be effective. The *san-gen* principle of the Japanese incorporates three *gens*: *genba* (real site), *genbutsu* (real thing), and *genjitsu* (reality). These things stress the context, the nature of what is being done, and the facts of the situation. There is also *genkouhan*, which is to be caught red-handed at the scene and is the discovery of relevance in the moment it occurs in a concrete situation. I interpret this, say in the case of a vision, to mean purpose should be worked out and bounded in terms of its particularity (purpose and particularity should advance arm-in-arm). In the same way an objective must always be developed in terms of its reasons and the means to carry it out, and if the objective is found wanting, it should be changed to make it more feasible. *"Decisions should be based more on the basis of collected facts than on individual opinions, and facts take time to gather and properly assess* [at Toyota], (Magee, 2007: 131). This is typically a participative activity involving both decision makers and implementers. This may seem contrary to the idea that objectives should be used to stretch the implementers, an idea based in part on a superior's perception that people must be challenged to perform proactively (or exceptionally). This may be so, but stretch, too, should be realistic, based on evidence that it is actually possible with an extra effort to achieve the stretch objective, or otherwise the lack of success and clarity is likely to damage motivation and commitment.

Alan Mulally became Ford's CEO in 2007, *"In meetings during Mulally's first weeks on the job, it was reported that, when presented with results and forecasts by departmental heads, Mulally found the numbers did not match up with emerging truths about Ford's increasingly woeful situation.*

'Why don't all the pieces add up for the total corporate financials?' he reportedly asked.

'We don't share everything,' one manager replied.
Mulally made immediate changes to Ford's executive reporting process, demanding real numbers in real time," (Magee, 2007: 78).

However, not all decisions have the same process behind them: *"Some are based on objective statistics. Others are pure intuition…There might be insufficient time, or the proposal might be so innovative that data and statistics simply didn't exist. A leader shouldn't require that the value of every idea has to be proven elsewhere before embracing it - that would leave innovation out of the equation. Important complicated decisions require both statistical analysis and intuition. Statistics can provide the necessary data, but unless you apply your own intuition, gathered from*

your own experience, you are just a computer spitting out formulas," Giuliani, 2002: 153-154).

regulation (see corporate governance, enterprise governance, strategic risk)
Regulation is the control of an organization or industry in which an adequate level of competition does not exist, normally by specially established governmental bodies to protect the interest of the public against monopolistic abuse. Of course, there is a presumption that competition benefits the consumer! Government intervention in commercial activity seeks to control or prohibit actions that are considered contrary to the public interest, and/or which are harmful to society generally. There is a tendency, especially in the Anglo-Saxon prescriptive literature to see regulation as an impediment to competition and commercial change. It is overly simplistic however to see all regulation as bad. In a sense all law is regulatory and in practice it will often set high standards that will encourage desirable innovation and productivity. However, changes in price revisions, competition law and liberalisation, new health and environmental pressures, for example, can have major consequences, transforming firms and organizations, and creating new forms of competition. *"Regulatory policy increasingly shapes the structure and conduct of industries...In network* [infrastructure] *industries such as airlines, electricity, railways, and telecommunications, as well as banking, pharmaceuticals, retailing, and many other businesses, regulation is the single biggest uncertainty affecting capital expenditure decisions, corporate image, and risk management,"* Beardsley *et al.* (2005). Regulation also influences how consortia bid for a company and will afterwards break it up to suit the requirements of competition policy (see strategic alliances).

reinvention (see turnaround)

related diversification (see horizontal, vertical diversification)
This is diversification strategy that comprises the use of different products and services in different, but related industries and markets.

relationship marketing (see customer relationship management)

relativism
This is the notion that knowledge is contingent on our different perspectives and that meaning is impossible without an existing perspective. It is criticised for an anything goes, nothing is certain, approach to decisions and beliefs, and which may segregate people and make consensus difficult. It may encourage those who believe there is no one best way. But this isn't really true, as there are certainly choices, about e.g. how to achieve an appropriate change for a particular situation. Management is, in my view, the practice of relativism. All its necessary frameworks and models are contingent, where different views are defined by a context: so, for example, the situation in a room is understood by the views from the different chairs - it is the position of these that matters (not, say, the difference in tools). The art of management is an epistemological phenomenon. All knowledge claims are local and a context for understanding 'the room' – or issue to be managed. The task of management is singular, concerned with having to do things.

renewal (see unfreeze-change-refreeze, repositioning)

repositioning (see competitive strategy)
This is a change that is made by senior management in the business model or in a generic strategy. A strategic shift is likely to have considerable dysfunctional effects and for this reason re-positioning is a consideration for the longer-term as it should be done only occasionally. Even then it should only be embarked upon with the full consent of the board.   Whether re-positioning should be done radically or incrementally is arguable, for a comparison of the two views in the light of Enron's failure, see London (2001). One-product line companies have particular problems: the more dominant and successful a company has been, the more difficult it is to acquire new skills and learn new ways of doing business. The classic case is IBM, which almost destroyed itself in the early 1990s by mishandling the transition from mainframes to personal computers. Yet it managed to reinvent itself under new management as a supplier of 'solutions' emphasising services and software rather than hardware.

research & development (R&D) (see innovation)

resource-based view (RBV) (see core competences, dynamic capabilities)
The resource-based view of strategy (RBV) is a school of strategy that believes competitive advantage is based on strategic resources; those internal resources (or assets) that are unique to a particular organization, and are important to its competitive advantage. Strategic resources are combinations or bundles of tangible resources (which are economic and tradable) and intangible ones (such as organizational culture and the way people work, which are idiosyncratic and have little external value).   An organization's strategic resources are difficult for competitors to understand and imitate. The concept includes dynamic capabilities and core competences. The origin of RBV ideas lie in articles by Wernerfelt (1984), Rumelt (1984), and Barney (1986).

The influence of economics and the *Strategic Management Journal* have been important, but more generally in economics an evolutionary view of market forces has prevailed to down play the role of managerial intentionality and its part in sustaining long-term competitive advantage (Nelson & Winter, 1982). The normative implications of evolutionary theory tend more to an understanding of general (even naturalistic) behaviours rather than an understanding more useful to the management of the individual firm (Dosi & Malerba, 1996). An early thinker, Edith Penrose (1959), however, argued that managers can influence the direction and growth of the firm; she also suggested that 'resources' should be more broadly defined for economic analysis - for example, many essential resources are free but are valuable to the firm concerned. The more popular management literature gives managerial intentionality a central place (Hamel & Prahalad, 1994; Collins & Porras, 1994; Ghoshal & Bartlett, 1997).

The RBV is sometimes contrasted to Porter's ideas in the sense that he emphasises industry factors, and the RBV is about firm-specific resources. Teece *et al.* (1997) point out that the ideas underpinning the competitive forces framework are really about the impediment of competitive forces, and that generic strategy aims to alter a firm's position in the industry in relation to its competitors and suppliers. Industry structure plays a central role in Porter (1980) and differences between firms relate primarily to ones of scale.   The RBV, on the other hand, understands a strategic

approach to be based on the development of firm-specific strategic resources, and the internal capabilities to manage them. Both approaches, of course, emphasize competitive difference, but the RBV suggests firm-resource specificity may be more important than competitive positioning. Porter does take into account specificity. but this is a specificity in relation to a chosen generic strategy rather than the firm itself (see activity-based view of strategy). Porter is not an overt critic of the RBV and many of his ideas seem similar; for instance, the value chain is described in some strategic management textbooks as a framework to identify and manage internal strategic resources.

Rumelt (1991) argued that industry factors explain 9-16% of variations in profit, against 44-46% for firm-specific factors; this may vary between industries, especially for services (McGahan & Porter, 1997). Thus being in the right industry is important, but being good at what you do, especially if you do it better and in ways that others cannot easily copy, matters more.

While exponents of the resource-based view claim it is *"arguably the dominant theoretical foundation in strategic management today"* (Stieglitz & Heine, 2007:1), there is little empirical evidence to conclusively support the notion that strategic resources generally account for sustained competitive success. Scholars, such as Prahalad & Hamel, are to an extent guilty of over-indulgence in post-rationalisation, and Priem & Butler (2001) asserted that the literature defines strategic resources too inclusively; it is poor at discriminating between resources that can be practically manipulated, and those which are beyond managerial control. Jarzabkowski (2005) argued that RBV research has resorted *"to positivistic methods that are too coarse to access deep understandings of how firms differ and, indeed, what difference that makes,"* (6). The value of deriving generalisable evidence in statistically-based studies is doubtful if the nature of strategic resources lies in their uniqueness, but the strategic management literature typically marginalizes the managerial micro-foundations or activities that go on in organizations (Johnson *et al.* 2003). In addition, there remains a wide variation in the meaning of terms and how resources and capabilities are measured. According to Hoopes *et al.* (2003) the RBV may assume what it seeks to explain – it defines rather than hypothesizes. There is a tendency for scholars, anyway, to over-simply RBV concepts, and thus squeeze out the quintessentially intangibility of practice that makes RBV so insightful for understanding strategic management.

Whether or not competitive difference is rooted in the detail or constitutes the framework within which detail is managed it is unclear if strategic management itself can be said to constitute competitive advantage. It has more to do with organizational (not operational – as this concerns the short period) effectiveness. Strategic management is the enabler of strategy rather than the competitive difference itself. Strategic management, of course, is never exactly the same anywhere due to a host of reasons. But in terms of understanding, the RBV does offer general insights into the nature of strategic management. It is certainly true other influencers, such as industry-wide factors, influence business success and that these work to mask the effects that differences in strategic resources have at a business unit level.

restructuring (see downsizing)

results-based management system (see linkage models, evidence-based policy)
An approach introduced in 1998 at the United National Development Programme. The principle is to align planning, reporting, monitoring, evaluation and performance assessment systems to results. The aim is to establish organization-wide consistency with regard to results terminology. The system sets out clear programme and management goals for the organization and establishes indicators to monitor and assess progress in meeting them. (See UNDP, 2004, for an over-view.)

review (see strategic review, performance excellence, top executive audits)
Review is the periodic check on the progress of work. It particularly concerns the review of progress on objectives and plans, and drives action, builds knowledge, and produces desired results. Simon (1976) argued *"that there are at least four different functions a review process may perform: diagnosis of the quality of decisions being made by subordinates, modification through influence on sequent decisions, the correction of incorrect decisions that have already been made, and enforcement of sanctions against subordinates so that they will accept authority in making their decisions,"* (232-233). In the case of the third, Simon refers to the possibility of an 'appellate function', where if a decision has grave consequences, it may be referred to a higher authority to make certain it is correct, or perhaps more simply, an issue is passed back to see if it conforms to policy, principles and/or regulations.

Strictly, review is more than monitoring, as it also involves a considered evaluation of progress, usually at a meeting. It is typically periodic when progress is assessed against pre-set milestones or to review progress on a critical, often difficult and reoccurring issue. An in-depth review will include a prolonged process such as an audit trial of how an organization is working to achieve its goals. Review is necessary to provide a feedback loop for learning, involving stages of issue evaluation, problem-solving, and corrective action. Review is important to the 'check' stage of the PDCA cycle. When specific goals are combined with feedback performance is effectively improved (Locke *at al.* 1981).

Review is typically a team-based activity involving participants in a shared evaluation of objectives and facts, where common understanding is necessary and transparency is required of objectives is important. Teamwork reinforces consensus, especially for cross-functional management, where individuals from different functions may not otherwise meet each other very frequently. How periodic reviews are conducted is important. The emphasis should be on review as a method for investigating issues and not centred on who is to blame. The role of individuals as owners of objectives and plans is central. These people must ensure that review is carried out. This requires intra-organizational coordination, and is best done as an overall process, with a senior manager making sure that the system of review is actually carried out effectively. This job makes sure that meetings are prepared, chaired effectively, and the results are followed up and evaluated. This requires good administration and staff support for the way in which meetings are managed, including setting agendas, the management of logistics, advice and training.

The FAIR model uses 'Review' in a narrow sense to mean only a review of the short-term (usually an annual cycle) strategic management process. This may be part of a broader performance excellence audit or top executive audit. It should involve top level management, as it serves as an important vehicle for organization-wide learning

about how an organization manages its core cross-functional processes, including the implementation and execution of longer-term strategy as shorter-term action. It also facilitates a wide involvement of people generally, in a process of taking a health check on organizational effectiveness and best practice.

Review should take place at every level of an organization. The figure below illustrates what an inter-linked system of multi-level review might look like. The arrows depict the direction of feedback and information between a sequence of boxes, staring first with overall purpose and then longer-term corporate strategy, down to business level, through the FAIR annual strategic management cycle. At each organizational level the target of one objective owner will contribute to the next level of strategy, and so what occurs is a process of roll up where reporting of progress at one level will be accumulated and examined as a whole at a higher level. Thus progress is reported until it reaches longer-period review. The circle to the left in the figure illustrates how data may be rolled upwards from a daily to an annual level of review. Review takes place in daily management at several levels. PDCA is used to monitor routine processes as an essential part of daily management. Recurring operational issues are reviewed weekly, perhaps monthly by a management committee. Every quarter (or more often, as Kaplan & Norton suggest, every two months) senior managers review progress of the strategic objectives in daily management for its implications for longer-term strategy.
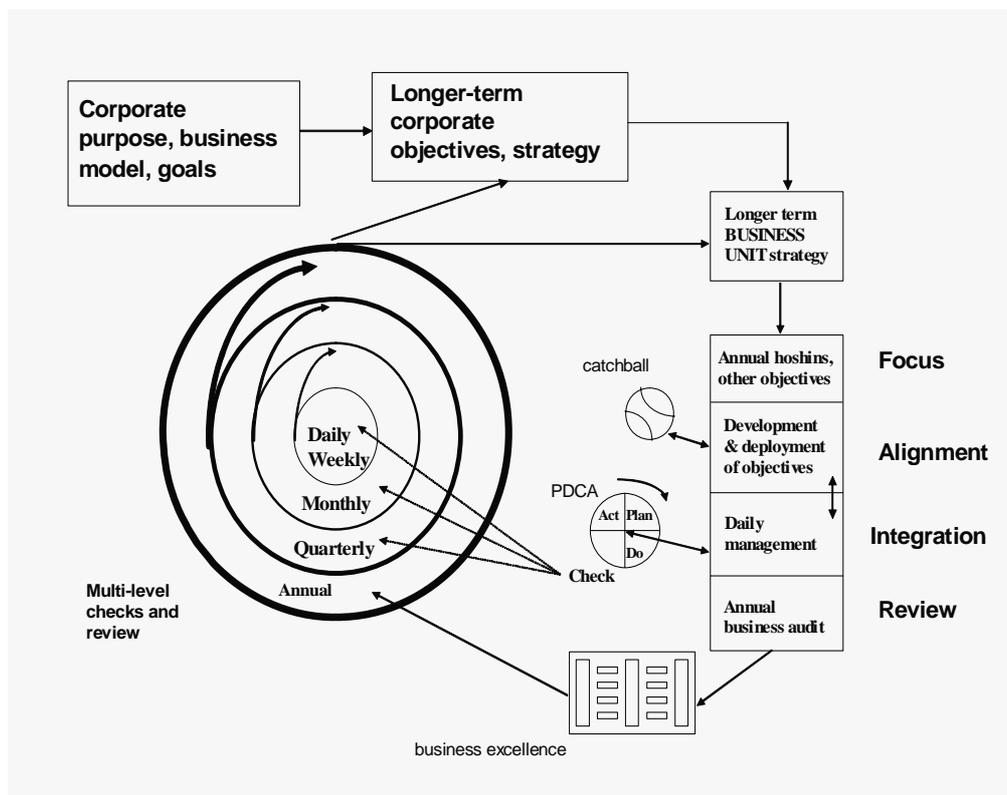
A multi-level organization-wide system of review is difficult to manage. Handled badly and review is liable to give room for misunderstanding and resentment. Typically meetings are disliked and excuses, such as pressure of work, are frequently used to excuse absence, or even to cancel meetings. Review should be about real issues that matter to completing work and the practical achievement of objectives and

means, but often review is superficial and ad hoc. It is often done to tick boxes and keep up appearances, so that meetings take on a life of their own. Senior management may use review in effectively to intervene and demand unscripted often ill-considered changes. An inquisitional management style tends to play to hidden agendas, and will reinforce a hierarchical authority with little relevance to the issues in hand. Much of this happens because participants are unprepared, priorities are not understood, and understanding is vague. Cole (1999) observes a *"weak review process makes it less probable that managers will formulate an effective recovery plan if they are falling short, and they also forgo root cause analysis of their problems. As a result, managers have a more difficult time understanding the process that actually led to the results. Did a defective process lead to the failure to meet the plan, or was it the introduction of some change in the environment? Without a careful review process, managers don't know and won't learn from their experience. Thus, they may easily choose the same ineffective methods in the future. Put differently, by not practising the PDCA cycle, they loose the opportunity to create valuable knowledge,"* (223-224). (For an account of review and its role in planning at Hewlett-Packard, see Witcher & Butterworth, 2000.)

A multi-level system of review should work to clearly distinguish different levels of strategy-relevant activity. Overall, these are a stream of goal-directed activity that over time is contributed to by actors at many different levels of the organization. At a daily management level, in the words of Jarzabkowski: *"In putting strategy into practice, dichotomies of strategic and operational dissolve. Goal-directed activity is an organizational flow of both strategic and operational issues that get mixed and muddled up together",* (2005, 40). However, if strategic management clearly distinguishes longer-term from short-term actions, it is possible through a multi-level system of review of objectives to see clearly what the strategic priorities are in an operational context.

Peter Drucker (1955) gives a warning about the use of 'reports and procedures'. Subordinates have to report to superiors, and there should be procedures (in the sense of guidelines) for managing a review process, including the preparation, conduct, and follow-up of meetings. However, while these are necessary tools they can easily be misused and become *"malignant masters"* (131). He noted three common misuses: as instruments of morality, substitutes for judgement, and of control from above. Reports and procedures must be kept to a minimum; should be simple, and save time and money. *"Reports and procedures should focus only on the performance needed to achieve results in the key areas. To control everything is to control nothing. And to attempt to control the irrelevant always misdirects...* [reports] *should be the tools of the man who fills them out. They must never themselves become the measure of his performance,"* (133). An associated problem is 'too many meetings': meetings should be organised around specific tasks and reasons, relevant people, and it should be a managed process that includes preparation and follow-up activity.

revolution (strategy as) (see management of change, innovation, hypercompetition)
The idea of new, revolutionary strategies is associated with Gary Hamel (1996) and elsewhere with disruptive innovation (Christensen, 1997). *"I believe that only those companies that are capable of reinventing themselves and their industry in a profound way will be around a decade hence. The question today is not whether you can reengineer your processes; the question is whether you can reinvent the entire*

industry model – as Amazon.com has been attempting to do in book selling, as Enron has done in the energy business (p.7) …The point seems incontestable: <u>in a discontinuous world, strategy innovation is the key to wealth creation</u>. Strategy innovation is the capacity to reconceive the existing industry model in ways that create new value for customers, wrong-foot competitors, and produce new wealth for all stakeholders," (Hamel, 1998: 8).   Hamel was writing at the time of the dot.com boom and when other firms, such as Enron, seemed to be very effective.   The sense of big change, probably also reflects the move of many firms, such as Procter & Gamble and GE in industries undergoing intense competition from countries such as China and India, to move away from commoditization.

rewards (see incentives & rewards)
ringi-sho system (see nemawashi)
risk (see strategic risk)

root cause analysis (see quality tools)
Root cause analysis involves problem solving the fundamental reasons for problems to find solutions and make sure they do not happen again. Watson referred to a root cause as *"The fundamental causal reason for a particular observation; the result of asking 'why' five times to determine the basic cause in a chain of causal relations,"* (1993: 262). (Asking 'why' five times was used as a part of the Toyota Production System, see quality tools.)   In determining its strategic objectives an organization should take account of the issues that influence its achievement of its purpose. This requires a fundamental understanding of strategic issues and their associated root causes. Strategic objectives should <u>not</u> be based purely on aspiration and plucked out of thin air, but they must be grounded in the reality of organizational and environmental issues. Necessity is more important than possibility. Of course a key issue might be 'people' – everybody must see and understand.

routines (see standardization, exploitative & explorative learning)
In their book, *An Evolutionary Theory of Economic Change* (1982), Richard Nelson & Sydney Winter proposed routines as a basic unit of analysis for understanding how an economy evolves. *"Our general term for all regular and predictable behavioural patterns of firms is routine"* (14).   Their work has been influential especially in the resource-based view of strategy.   Winter (2003) explained routines as things that extend beyond formal routinised behaviour; rather it is *"behaviour that is learned, highly patterned, repetitious, or quasi-repetitious, founded in part in tacit knowledge,"* (911).   Winter argued they are different to procedures or programmes, and while path dependent, they are at least in part non-deliberative. Like the gene in biology, a routine has stability (inherence), a capacity to mutate (variation) and to be an object of choice and selection. An important feature is *"the 'cognitive' dimension of organizational routines: they are there to solve problems, for example, making better and cheaper models of cars, discovering new chemical compounds, exploiting new market niches etc. (Nelson & Winter, 1982). In that sense, elementary routines are somewhat analogous to 'production rules' in complex cognitive systems (Newall & Simon, 1972),"* (Dosi & Malerba, 1996: 7). Earlier, Winter (1964), had described a routine more simply as a pattern of behaviour that is followed repeatedly, although it is subject to change if conditions change. Routines may be applied to non-routine activity: Joseph Schumpeter (1950) proposed that the modern corporation had routinised innovation.

7S framework (see McKinsey's 7S Framework)

S-curve (see innovation, product life cycle)
The growth of a market or users of a new product or service tends to follow an S-shaped distribution over time, when the number of first and early adopters gradually builds up to a take-off (or tipping) point when the number of users rises exponentially in a sort of band-wagon effect until the rate of growth slows and the number of adopters stabilizes at its high point, until after a while the numbers begin to decline, and another tipping point is reached, when the number of adopters begins to decline rapidly. The ideas of the product and industry life cycles are based on the S-curve. Strategies are likely to differ for the different stages of the curve. For example, some Internet businesses have adopted strategy to entice as many people as quickly as possible to their websites to build up virtual networks and reach a tipping point before rivals can emerge and compete; by offering a new service or software at inexpensive prices or even for free. In the 1990s new PayPal customers were given $10 to use the payment service. The early adoption of VCRs was largely lost by Sony's betamax system (introduced in 1975) because of JVC's strategy of licensing its VHS technology to other suppliers, which resulted in many more VHS recorders (introduced in 1976) becoming available at lower prices.

satisficing (see bounded rationality)
Satisificing is a cognitive process that involves making a satisfactory decision that is sufficient to give a good enough result given the less-than-perfect availability of information and the difficulty for making optimal decisions.

SBU (strategic business unit) (see structure)
A term associated with diversification, a strategic business unit (SBU) is an operating unit or a division of a corporate group that determines its own strategy largely independently of the corporate centre. Usually the SBU will have its own distinct set of products and services for a customer segment or market, such as a geographical regional or a well defined group of customers in a distinct technological field. The SBU will also have its own clearly identifiable group of competitors; hence there is a need to have control over its own strategy. The SBU is typically part of an M-form organization, and may be managed at a corporate centre by top level management using a portfolio matrix approach.

scanning (see strategic choice)
Scanning involves a continuing monitoring (typically as an overview) of the external environment.

scenario planning (see learning)
In thinking about existing and possible alternative strategies, thinking about alternative possible scenario planning involves an evaluation of critical success factors for strategies in varying contexts and outcomes. A scenario is a possible future situation. Scenario planning is a way of analysing an environment and organizational purpose in strategic planning; it visualises alternative futures and encourages the design of flexible strategies to meet them. It also can be used to question fundamental assumptions and taken-for-granted preconceptions about purpose, competition, and an organization's environment. It was used by Royal

Dutch Shell and helped condition its decision-makers to cope more favourably with the first oil price shock in 1973 (Van der Heijden, 1996; 1997). Managers are given an increased awareness and insight into the things that might happen so that they can react better when the unexpected happens. The point is not so much to understand the future as to encourage open-mindedness, flexibility, and a habit of questioning conventional wisdom. The process involves: identifying those who cam contribute to a wide range of perspectives, comprehensive interviews/workshops to identify big shifts coming in PEST etc, grouping these views into connected patterns, drawing up a list of priorities (best ideas), sketch out rough pictures of scenarios, work out detailed impact scenarios (ways which each will affect the organization), identify early warning signals, monitor and review scenarios. Scenarios are not forecasts; rather they are participative learning strategy vehicles, which require experienced facilitators to make them work.

schools (views) of strategy (see strategic management, strategy)

scientific management (see control, lean production)
This is sometimes called Taylorism after Frederick Taylor, who in 1911 published *Principles of Scientific Management*. This advocated the use of scientific methods, especially observation and measurement, to analyse and determine a best way to complete production tasks. He explained how the constituent parts of any task could be broken down, he termed this 'job fractionalisation', and time and motion studies could be used to find the one best way. Wasteful actions could thus be eliminated through work-study (the same goal, although not the same approach, as for eliminating muda in lean production). His ideas emphasized a division of labour - between managers who designed work, and operators who must carry the work out (this idea did much to fuel the idea that 'management' is a profession, see functional management). An importance was put on inspection and supervision to maintain standards of work, and specialist staff departments were used for the design of work and the maintenance of quality and equipment. This applied to strategic planning, which was a specialised staff management function, where the formulation and implementation of strategy was organised as a sequential process. Scientific management has been mostly associated with assembly and Fordism (see below), but it is also applies to services (e.g. the break-down of activities and detailed demarcation of tasks for a call centre or service at McDonald's).

Scientific management has generally been regarded as a de-motivating influence because it leaves little room for creativity or personal expression. It contrasts with a human relation's tradition, which is based on a premise that people intrinsically have a psychological need for work and responsibility. One of the most famous expositions to contrast the two is Douglas McGregor (1960): Theory X and Theory Y. The former concerns a belief that people must be coerced to work, in the sense that they require direction and must be supervised closely, if a desired level of work is to be achieved. Taylor observed it is the nature of people to 'soldier' or slacken off, so that managers must follow a command and control approach to ensure work is done efficiently. This view is still strong among managers. *"In a speech called Faith and the Ford Production System to senior leaders, James Padilla, Ford's Group VP of Manufacturing, said that in launching the Ford Production System, they had underestimated management's tenacious capacity to over-manage – even with no*

time, and lots of disincentives to do so because Ford management had a lack of faith in the workforce," Berkeley-Hill (2002: 21).

Theory Y, on the other hand, is a belief in an ability to self-manage and self-motivate to complete work to a high level. This is consistent with a human relations view of motivation, where the work of Elton Mayo (1949) is the most cited. He conducted experiments at Hawthorne Works of the Western Electric Company in 1927, and found worker performance depended upon social interaction on the shop floor and that job satisfaction was more likely to increase performance than the standardisation of tasks and incentives. Motivation was just as important as the scientific design of work.

Developments such as the spread of flexible working, TQM and self-directed teamwork may have weakened the demotivating consequences of scientific management. However, some maintain that nothing has really changed. Garrahan & Stewart (1992), in a study of Nissan (UK), asserted that control of workers was achieved through quality, exploitation through flexibility, and surveillance through team-working. In Japan it was recognised at Toyota that practices such as JIT can neglect the human factor. *"For example, when excess workers are eliminated, the JIT system actually forces the remaining workers to work much harder and creates severe work strain. Therefore, human alienation can result from productivity improvements,"* (Monden, 1998: 363). Toyota used a 'respect-for-humanity' system as part of its JIT management, which includes measuring workloads, idea creation and worker proposals: *"Being involved in improving the work environment is the biggest source of a better quality of life for workers,"* (374). Deming argued senior management should drive out fear, to encourage workers to solve problems and not hide them or seek to blame people; he believed that performance was primarily a result of underlying system factors, which were beyond an individual's control: he argued, therefore, that individual recognition, and appraisals, should be abolished (1986). Few organizations have followed this advice.

An associated term is Fordism. This is an organizational form associated with Henry Ford and the mass production of standardised products made to a predetermined set of procedures, based on a moving assembly line. Ford took scientific management and Adam Smith's ideas about the division of labour and applied his version of them to the automobile industry. This was characterised by large-scale factory manufacture, standardised parts, specialised process technology, operated by closely supervised and de-skilled labour to produce a standard product. Ford famously produced his model T-Ford at a low cost to develop a mass market for cars. This was an essentially production push type of business: it exploited economies of scale, and meant that consumer choice had to be limited - 'you can have any colour you want, as long its black'. Piore & Sabel (1984) were among the first writers to argue that mass markets were disintegrating and that Fordism would soon be obsolete. The future lies with flexible manufacturing, flexible technologies and organizational practices, skilled workforces and management, vertical disintegration, and economies of scope rather than scale. This is consistent with the idea that production methods have evolved over the last 100 years from craft working (characterised by highly skilled workers, who with simple tools worked flexibly producing goods to order) to mass production (unskilled or semi-skilled workers, working with single purpose machines producing high volumes of a standard product); to lean working (multi-skilled

workers using flexible automated machines, producing both high volumes and high product variety). The latter stage is the most strongly associated with customer focused organization.

The importance of involving people in decisions is a feature of many management approaches, especially hoshin kanri. However, this does not mean that employees take the final decisions. An ex-manager explains how Toyota's 'bottom-up decision making' system worked. *"In my experience, planning for new programmes was accomplished by employees, engineers and staff, bringing proposals to their supervisors for approval. This is how all new initiatives got started. Through it all, the superiors avoided ever telling anyone exactly what to do. As my first manager and mentor at Toyota told me, 'Never tell your staff what to do. Whenever you do that, you take the responsibility away from them.' So, the Toyota managers, the good ones anyway, would rarely tell their people what to do; they would lay out a problem, ask for analysis or a proposal, but always stop short of saying. 'Do this.' The employee, upon getting the problem to work on (actually, finding the problem to work on was usually his job too), would develop solution options to take to the manager. The manager's first answer was, invariably, 'No.' The employee would return to his desk and rework his proposal – three times, five times, ten times if necessary. The manager was the 'judge and jury' while the employee was the attorney with whom rested the 'burden of proof' to justify his proposal by presenting and analysing all the viable options. It took me a good three years to figure out how this worked.*

"This was the famous Japanese 'bottom-up decision making' in action. My initial reaction was a level of disillusionment, declaring bottom-up decision making a huge lie. Wasn't 'bottom-up' supposed to be some kind of enlightened form of democratic self-management whereby people essentially do what they want? It took a while for me to see that this wasn't a lie so much as it was proposal generating, but it was powerful nonetheless: no one was telling anyone else what to do. What a beautiful answer to the control-flexibility dilemma that dogs all large organizations: The company gets basic adherence to the desired corporate direction, and the workers are free to explore best possible real solutions to problems that they themselves know best.

"This is policy management [hoshin kanri]*, and it is a management system or decision-making process that is probably as revolutionary as TPS* [Toyota Production System] *itself. It results in a system that is flexible and changes continually, yet does not accept change lightly and without strong justification. That's where the famous discipline of the system comes from: policy deployment on a yearly planning basis, and PDCA (plan, do, check, action) on a daily basis. PDCA assures that learning is continuous – that we are moving forward, nor repeating old mistakes, not continually starting over with blank slates...Policy management is often confused with policy deployment, a relatively simple prioritization process in which the desires and objectives of senior management (the company) are 'deployed' throughout the organization (the employees). That is a good first step. But policy management Toyota-style was a much more dynamic process, with lower levels of the organization taking part in formulating policy as well as carrying it out,"* (Shook, 1998: 57-58).

Magee (2007) cites Liker's *The Toyota Way,* that formal authority is typically one level up from responsibility, meaning that the person responsible is not a superior but must function as an empowered decision-maker. So that for a superior to sign off a proposal, the employee is expected to defend the ideas, work through other people,

and convince the person with the formal authority that the ideas are correct. Also employees will not be focused on one superior (authority) and task, but several. Workforces will have a broad-based knowledge, be able to share information across functions, and be more flexible. *"Toyota's bottom-up empowerment turns the company's management into something closer to 'coordinators' than bosses. Their chief responsibility is to coach employees on how to work together and continually find ways to improve,"* (Magee, 2007: 182).

John Seddon (2002) contrasts the scientific management model, with a systems view of organizations, especially the views of Taiichi Ohno, who was in charge of the Toyota Production System. Seddon cites Ohno: *"Think about your organization, not top-down, but outside-in. Design against demand. Integrate decision making with work* [requires]... *Measures that can help people who do the work to control and improve the work. It is hugely motivating. It builds adaptive systems because as demand on the system changes the people change the system. In the typical 'command and control' design when demand changes we don't notice for years until somebody finally has a big problem and then we try to shift the tank. The systems approach builds adaptive systems because they design against demand,"* (3). A systems approach implies that people will see the whole; whereas in a functionally top-down organization there is always a danger of sub-optimisation; where one part will act in its own interest, but against the interest of the customer and the whole.

Also managers are mistaken if they think the central issue for managing is about people *per se*. It's not about ordering people about, nor is it about managing through people, but a systems view requires people to look at any system from the customer's point of view: this is the starting point for all organizational management. Seddon's view is - *"You have to get out in the work and studying the work...there are two kinds...value work, defined by the demand, and there's waste, which is caused by us. In fact, it is caused by the current* [scientific] *management theory, essentially...because of the way we think* [we should] *study the system from the current point of view of how it performs for the customer,"* (6). Seddon is against the *"whole specification and inspection industry"* because it is part of a *"belief system"* (i.e. scientific management/Fordism).

"You [should instead] *design inspection out...you understand how to design prevention because you design against demand... Most of our organizations, as they're currently run, have a kind of de facto purpose that takes them away from good economics. You spend your time worrying about meeting your targets and meeting your activity measures and so on, and what you end up doing is sub-optimising your system. You spend your time worrying about compliance, you actually sub-optimise the system...the ISO 9000 school is not a liberating method. Otherwise, what are these white-coated anal people going to do with their lives? They want method all written down in books so they can start what they do. But you find in a systems approach a completely liberal attitude towards method because you want the freedom to be experimenting with and improving the work where the work happens. The thing that gives you control is that there are measures related to purpose wrapped around* [the work] *that that give...people and therefore the system, much greater control of what's going on in the work. It's a completely different way of thinking,"* (10).

The question of whether management is a science or an art is still a moot one, but without question bigger and more complex firms do require new tools to manage them: *"improved technology and statistical-control tools have given rise to new management approaches that that make even mega-institutions viable…Long gone is the day of the 'gut instinct' management style,"* (Davis & Stephenson, 2006).

scorecard (see balanced scorecard, QCDE)
self-assessment models (see performance excellence models)

senior (level) management (see mgt., leadership, corporate governance)
Senior management refers to top management of an organization and this can include senior executives (people who attend board of directors meetings, but also have an active management role). Senior management has the over-riding, or whole-company, responsibility for corporate purpose, strategy and general management. Its involvement directly in lower decisions and lower-level management varies. Arguments for devolved decision-making, flat organization, and emergent views of strategy, suggest involvement can (or should) be very low; this seems to go against the idea that senior management should be knowledgeable about an organization's internal processes if it is to learn from experience. It is often difficult for senior management to make big decisions that are informed by experience. Typically a programme initiated and championed by a chief executive is difficult to evaluate objectively, especially if subordinates feel they are questioning authority, so they will hold back from giving feedback that is adverse and critical. At senior management level feedback on decisions is likely to be delayed and in the end the reasons why a project has failed may not be entirely clear. Devolving strategic decision-making is one way of countering this possibility. Especially if it brings senior managers in key areas of the business closer to daily management, and facilitates the use of strategic control systems that align operations to strategy. Making decisions that result in strategic shifts anyway is always risky.

Resting too much senior management responsibility (and power) in one person's hands brings its own difficulties. In the UK conventions require that the jobs of chairman and chief executive be divided, respectively, between overseeing longer-term strategy, and the implementation and execution of that strategy through general management. Chief executives appear to have short lives: a survey found that nearly half had been CEOs for less than three years (Skapinker, 2001). This mobility is likely to be unsettling if it means a new chief executive is likely to change corporate strategy. The relationship of the board to senior managers, especially the chief executive, is important (see corporate governance).

Henry Mintzberg offered a critical view (de Holan & Mintzberg, 2004): *"Many senior managers are removed from the ongoing daily activities of their organization. This creates all kinds of problems, not the least of which is that we get grand and gloriously simple-minded strategies…so removed from day-to-day life of their organizations. Compare that with an organization that I think has a wonderfully integrated strategy – IKEA. Think about all the intricate interconnections and how that strategy has worked out piece by piece in all kinds of intricate, fascinating ways by people living every aspect of it,"(206).*
          "What we have been getting over the past 10 years is more and more of what I would call 'the heroic view of management' where…senior managers believe they

can sit there and 'deem' performance levels and then expect everybody to run around and reach them or else get fired. I think this has been extremely disruptive in organizations. We have more and more disconnect between senior management and the rest of the organization," (208).

There is some reluctance from some schools to give primacy in studies of strategy to a senor level managerial agency. Rather it is the *"exploration of the centrality of management within the complexity of the processes that go to make up and influence organizations. An activity-based view of strategy allows for, but does not commit to, managerial agency,"* (Johnson *et al.* 2003: 15). This is correct as far as it goes for a principle of empirical study, but as a subject for managerial interventions, strategic management is a business process, which is the responsibility of senior managers: they are in charge. The primacy of intentionality resides within this agency. It does mean, however, that strategy does not often arise from the efforts of multiple actors, nor does it assume that strategy is top-down more than it is grass-roots or middle-up-down.

The role of central management in the context of the theory of the firm is discussed in Penrose's *Theory of the Growth of the Firm.* *"The essential difference between economic activity inside the firm and economic activity in the 'market' is that the former is carried on with an administrative organization, while the latter is not. The growth in the 'size', however defined, of the industrial administrative unit is of importance because the larger this unit is, the smaller is the extent to which the allocation of productive resources to different uses and over time is directly governed by market forces and the greater scope is the scope fo0r conscious planning of economic activity...as an autonomous administrative planning unit, the activities of which \re interrelated and are coordinated by policies which are framed into he light of their effect on the enterprise as a whole.*

"All such units have some form of central management direction responsible for the general policies under which the firm's administrative hierarchy operates...in practice it is made up some combination of the board of directors or committees thereof, the president, and general managers of the firm. Just who is included in central management varies from firm to firm. Whatever the effective group, it must be accepted in practice as the highest authority within the administrative framework of the firm, and must be small enough to make more or less agreed decisions. In general, central management is responsible for stabling or altering the administrative structure of the firm, laying down general policies, and making decisions on those matters where no subordinate executive has been authorised to act or where no clear-cut principles have been set out in advance. In the last category are usually included at least the major financial and investment decisions of the firm, and the filling of the top management posts.

"In the ideal case, once an administrative framework has been created within which the 'bureaucracy' of the firm functions smoothly, and once policies are laid down which are accepted as guides for decisions by the administrative personnel of the firm, no further intervention by the central management is required so long as each decision that has to be made is of a type and scope envisaged in established policies. This does not mean that all decisions must be rigidly circumscribed in advance and no exercise of judgement allowed, but merely that there must be no confusion as to who makes any given decision, the principles that shall be considered in making it, and the scope of its effects.

"It is evident that there will be great variations in the number, range, and nature of the tasks of the central management of different firms, depending upon the structure of the firm, the preferences and ambitious of the top management group, and the extent to which the firm is faced with external changes which require action not provided for under existing arrangements. In an unchanging environment, e.g. an established form that had succeeded in creating optimum administrative procedures and framing an optimum set of policies could operate successfully without any overt acts of 'central management' at all...

"Adaptation to change poses somewhat different problems. One type of problem is the adjustment to 'short-run' conditions – the day-to-day, month-to-month decisions required in operations – and another is the adjustment to 'long-run' changes and the making of 'long-range' policies. While undoubtedly no clear dividing line can be drawn between the two types of problem, the former certainly requires many decisions that cannot be individually 'cleared' with central management in the large firm; in consequence, organizational structures and procedures have been evolved which not only permit the making of such decisions on almost all administrative 'levels' in the firm but also ensure at the same time a high degree of consistency among decisions. Similarly, techniques and procedures have been created to enable central management to deal with the longer-run problems without excessive congestion at the top," (Penrose, 1959: 15-18).

sense-making (testing) (see images of organizations, enactment)
services (see lean production)
short-termism (see budgets, financial perspective)

six-sigma (see PDCA, quality tools, root cause analysis, TQM)
This is a highly focused form of, or methodological approach to, quality management initially pioneered at Motorola (to win the Baldrige prize in the 1980s), but is now widespread with notable applications at GE, Citigroup, Honda, and Bank of America (which used hoshin kanri to provide a framework for its six-sigma). It aims to develop and deliver near perfect products and services. The Greek letter, sigma, is used by statisticians to measure the variability of a process (to symbolise the standard deviation). The higher the sigma number the closer to perfection (one sigma is poor, six means only 3-4 defects per million – a standard of three variations per million opportunities, which is the same as getting things right 99.99% of the time). It involves data gathering and statistical analysis to identify sources of process performance variation and ways of reducing them.

Harry & Schroeder (2000) argued it helps deliver strategic objectives and can be used at a business unit level to make an organization's strategic control processes more capable; a primary benefit is how it emphasises the importance of linking financial gains to improvement projects. It is used as a business-wide philosophy, and business process *"to drastically improve* [the] *bottom line by designing and monitoring everyday business activities in ways that minimise waste and resources while increasing customer satisfaction...It provides specific methods to re-create the process so the defects and errors never arise in the first place,"* (Harry & Schroeder, 2000: vii).

Jack Welch observed *"I am a huge fan of six sigma, the quality improvement programme that GE adopted from Motorola in 1995 and continues to embrace today.*

Nothing compares to the effectiveness of six sigma when it comes to improving a company's operational efficiency, raising its productivity, and lowering its costs. It improves design processes, gets products to market faster with fewer defects, and builds customer loyalty. Perhaps the biggest but most unheralded benefits of six sigma is its capacity to develop a cadre of great leaders. Simply put, six sigma is one of the great management innovations of the past quarter century and an extremely powerful way to boost a company's competitiveness," (Welch, 2005: 45-46). Welch used a hypothetical example of a firm that makes spare parts and promises a ten-day delivery: *"Over the course of three deliveries, your customers receive their parts on day five, day ten, and day fifteen. On average, ten-day delivery. Over the course of the next three deliveries, they receive their parts on day two, day seven, and day twelve. An average of seven days, a seemingly big improvement in the customer experience. But not really – you might have had some internal processor cost improvements, but the customer has experienced nothing but inconsistency! With six sigma, your customer would receive all three of their deliveries on day ten, or in the worse case, on day none, day ten, and day eleven. Six sigma, in other words, is not about averages. It's about variation and removing it from your customer's interface with you. To remove variation, six sigma requires companies to unpick their entire supply and distribution chains and the design of their products. The objective is to wash out anything that causes waste, inefficiency, or a customer to get annoyed with your unpredictability. So, that's six sigma - the elimination of unpleasant surprises and broken promises,"* (Welch, 2005: 247-248).

It requires a supporting infrastructure, including a cadre of empowered black belts, who are dedicated six-sigma facilitators. These are teams of process executors, who are intensively trained in the basics of quality and statistical tools, and spend a portion of their time improving processes. Black belts champion and sponsor six sigma to ensure it works to impact on an organization's bottom line; an elite called master black belts, supervise them. The aim is not to cut costs *per se,* but to secure new infrastructure to ensure changes in value streams are supported throughout the organization. For example, black belts typically act as team leaders for an improvement project. This role should not drive a wedge between those that 'know about quality' and those that 'don't know', and as a counter it is someone from the problem process that owns the project and who will act as its champion. In addition there are green belts who have had basic training and do six-sigma as part of their normal jobs.

An important variant is DMAIC: this stands for define, measure, analyse, improve, and control (which is really a more complex variant of PDCA); see Pyzdek (2002) for an explanation. These are cyclical steps used (typically by a black belt) for six-sigma project management. Black belts or leaders are first required to define a selected project's scope, expectations, resources and timelines. Definition may start with one that defines who customers are, their behaviour, needs, and expectations. Measurement and benchmarking is required of the core business process involved, to consider performance. Analysis follows to verify root causes of problems to be able to formulate opinions for improvement. These must be prioritised. Often a balance must be struck between superficial analysis and understanding, which would lead to unproductive options and recycled problems, and a paralysis of too much analysis (a good black belt would prevent this). Improvement refers to the development and deployment of an implementation plan. Trials, experiments, and innovatory

approaches may be necessary. Control relates to continuous checking and improvement to ensure that improvements are sustained. There is often expectancy over time that things will slowly deteriorate and worsen, or even revert to the 'old way'. The development, documentation and implementation of control items and ways of monitoring may thus be required. Staffing, systems, structures, and management, may require modification if the changes are to be standardised as routine components of daily working. Lessons should be integrated into the management of change system so that knowledge is shared with others who are outside the project. There is also DMADV, where the second 'D' means 'design' for a new process, and 'V' means to 'verify' the performance of design. A DMAIC-based project about (typically incremental) improvement can turn into a more radical change DMADV-based project, which will design new processes (and BPR old ones), products and services.

size (see growth strategies, economies of scale, senior management)
skunk works (see innovation)

SMART (Specific, Measurable, Action-oriented, Realistic, Time-bound)
This acronym is used as criteria to evaluate the usefulness of objectives.

SME (small & medium-sized business) (see entrepreneurship, family business)
The EU defines an SME in terms of size and turnover. A small company is one of less than 50 people and turnover of less than €10m; a medium sized one employs less than 250 and has a turnover of less than €50m. They provide more than half of employment and turnover in the UK. In general there is no formal strategy or strategic planning, which is caused by a structure, which is fairly simple and involves an owner/manager is closely with daily management activities (O'Gorman, 2000). Small companies are able to change more quickly than large ones, because there are fewer people to be persuaded of change and the channels of communication are shorter; a small company also has a more immediate sensitivity to external stimuli. However, the small company can be too personal and less objective in face of change and risk, than a more professionally managed organization. Family businesses are particularly difficult since the ambitions for the business and the interests of the family have to be congruent.

social business (see non-profit organizations)
The purpose of a social business is to achieve a social objective. The revenues are used to expand the organization's reach and to improve the product or service. The business makes profits, but these are not distributed as dividends to shareholders and are instead re-invested in the business. (Yunus &Weber, 2007)

social capital (see bureaucratic organization)
Elements, such as good will, fellowship, sympathy, and social intercourse among individuals belong to a social unit, such as an organization, build up the social capital of people, or their willingness to act in socially desirable ways, which works to the general good of the organizations of which they are a part. The move from a bureaucratic to a more fragmentary new form of capitalism, argued Sennett (2006), has produced three deficits in social capital: that is, it has reduced institutional loyalty, diminished informal trust among workers, and weakened institutional knowledge. These things influence the quality (proactivity) of people's (necessary or otherwise) involvement in

work. This concerns institutional cohesion. *"By imposing on people a regime of incessant change and permanent revolution, unencumbered market institutions deplete the stock of historical memory on which cultural identity depends,"* (Jenkins, 2006: 339 – citing Gray, 1994).

social economy (see third sector)
soft & hard organizational attributes (see McKinsey's 7S framework)

sovereign wealth funds (see private equity)
These are funds held by governments to invest in international companies. They have a long history going back to at least the early 1950s, but recently they have attracted attention for their part in the rise in private equity. The largest seem to belong to Abu Dhabi ($635bn) and active recently in a takeover bid for Sainsbury. Others include Norway, Singapore, Kuwait, China and Russia. The funds have been built in some cases on surpluses accrued from manufacturing and oil exporters. The general idea is that these funds can provide a higher return than a country's official reserves. At the present time they only account for 1.3% of the world's stocks, bonds, and bank deposits, but they are expected to grow significantly. Also some of them may seek controlling interests in strategic companies, raising questions about where a foreign state should control important companies, especially if that state is potentially a hostile one. There is also the question of transparency of strategic decision making in private equity firms. The rise of large sovereign wealth funds, and the shift in balance of power this may imply, is likely to become an important feature of globalization. (Wolf, 2007).

SPC (Statistical Process Control) (see quality tools)

stability (see longer/short-term strategy, unfreeze-change-refreeze)
Strategic management is as much (probably more) about consistency and constancy as it is about the management of change. This does not imply any change, but rather a consistency in sense of purpose, especially from the top level (see leadership). *"There is nothing which rots morale more quickly and more completely than...the feeling that those in authority do not know their own minds,"* (Urwick, 1956). The process of building strength and sustaining an overall purpose also takes time: strategic management involves a great deal of maintenance and reproduction. Porter (1996) noted the importance of time in building up a unique competitive position, so major changes in strategy should be avoided.

Some observers, however, claim that organizations should be ever changing, even inconsistent, if they are to be truly creative, innovative, and are to keep their competitors on their toes. Peters (1997) is probably the best known – *"Incrementalism is innovation's worst enemy,"* (26), and organizations should - *"Obsolete ourselves or the competition will win,"* (85). Well, even this line of approach implies strategic consistency! On the whole, companies do not like to change corporate level objectives very often. Consistency and constantly of purpose is necessary to avoid disruption to plans, and to signal that senior management knows its mind and does not follow fads: *"Strategy we think about every ten years or so. A good strategy lasts. Only a lousy strategy needs revising all the time...Provided the decisions within your strategy are right and the management quality is high – which is a big proviso – then the need to rethink strategy is minimal. We've had the same*

strategy now for 12 or 13 years," Sir Clive Thompson, CEO, Rentokil International, (Dearlove, 1998: 44).

However, at lower levels, strategic objectives and the strategies and means of achieving them will be reviewed regularly, and changes will be made as and when circumstances require. In this it is important to have processes under control so that managers know what the likely effects of any change will be for the organization as a whole.

I should make a distinction between long and shorter term strategy. The former should be relatively stable, while the latter concerns the management of change at an operational level including flexible working to be able to respond to changing customer needs as and when required. Jarzabkowski (2005) observes that 'stabilising' is a dynamic, skilled and purposeful activity, which implies the *"ability to construct and reconstruct activity without sliding into inertia or occasioning change...strategists* [are] *concerned with realising strategy through the exploitation of existing resources, capabilities and actions as they are with changing activity (March, 1991),"* (26).

stakeholders (see corporate governance, performance prism)
Stakeholders are individuals and groups who receive value from an organization. The EFQM defines stakeholders for its excellence framework as *"All those who have an interest in* [or are effected by] *an organization, its activities and its achievements. These may include customers, partners, employees, shareholders, owners, government, regulators,"* (1999). 'Interest in' can be taken to mean those groups that expect benefits from the organization in return for specific contributions. Although it can extend further to include groups or society that do not contribute directly, but may be adversely affected (as well as benefit) from what the organization does. Stakeholders might include groups that are important in a public relations sense, including media and other business analysts, in that they could potentially influence the ability of an organization to perform. However, 'publics' such as these may not expect anything substantive from the business concerned and so are not strictly stakeholders. A true stakeholder group is in a two-way dependency relationship with the business concerned; it depends upon the business for things it needs, and the business depends (at least substantially) upon the group for its existence.

The word 'customer' is applied narrowly in the EFQM definition, but it is possible to argue that all stakeholders are customers in the sense that the business is serving them in some way. The board of directors is another stakeholder. See Donaldson & Preston (1995) for a review of stakeholder theory. Partners (partnerships) are likely to include suppliers. Normally an organization exists to create value for its stakeholders. A mission statement may list the main stakeholders and note for each what the purpose of the organization is. Barnard (1938) first suggested that customers, employees (of all grades), suppliers, and shareholders should all be regarded as contributors to the success of an enterprise and that sufficient inducements must be offered to each category to elicit the contributions which only they can provide. The purpose and objectives of the organization are likely to be influenced by any of these categories.

The question about how different stakeholders should be taken into account for strategic management, and for strategy, is a moot one. It seems logical that the needs of stakeholders should be considered before a strategy can be devised. However, all stakeholders are contributors to some extent to purpose, and over time events and changes to strategy may involve new partners, such as suppliers (even competitors), or new customers; so that these must be brought into consideration as stakeholders. But some stakeholders are primary, in the sense that they are more central to purpose than others: for a commercial organization, it is the owners of the enterprise (typically, shareholders) that have primacy. Even so, maximising the welfare of one stakeholder group at the expense of others can be disastrous, not just in ethical terms, but for pragmatic reasons, such as for the need to consider and develop resources (competences, skills of employees, customer and community relations). An organization must work out a balance of stakeholder requirements over time that helps it survive effectively to sustain its stakeholder requirements. A related issue is whether strategic objectives, for instance those in a scorecard, should reflect all the major stakeholder needs. Generally, all necessary stakeholder interests must be given objectives and monitored. However, only the most important ones should be subject to proactive action by senior managers; otherwise stakeholder concerns are subject to routine (lower level) management, and senior management only becomes involved by exception, when performance for some reason is likely to become critical. Stakeholder interest also changes as the organization and firm change. For the public sector, the UK Government wants to establish more stakeholder participation as a means to internalise user priorities more strongly than hitherto. For a consideration of stakeholders in relation to the balanced scorecard, see Mackay (2005). Some models have been introduced to take account of stakeholder interests in strategic management: the performance prism (Neely *et al.* 2002) is the most well known.

standardisation (see policies & procedures, routines, process)
Standardisation in operations is the establishment of a required performance for a given activity. This is basic to managing objectives, where consistency of purpose is important. Unless the processes designed to achieve objectives are standardised in terms of how the task is performed (procedures, work instructions) then it is difficult to identify variations in performance. The aim is to have organizational processes under (diagnostic) control in a manageable (e.g. PDCA) way. In managing a process, if a check reveals that it is not conforming to design, then it is necessary for the process-based team to intervene to put things right. If the problem persists, a project team may investigate its fundamental cause and re-design the process (or processes), so that improvements can be found and in their turn standardised as a routine part of managing the process. In fact, changes are often made because something is thought to be desirable in its own right, without proper regard to how things stand now on a process what a change practically requires to delivery an improvement. This view of standardisation is task centred, and will hold for forms of devolved organising. The degree of documentation developed for any process is dependent upon the task and the skill and experience of those doing the work. It helps if everybody is used to working in a similar way, so a common language of objectives and a shared set of general problem-solving (quality tools) skills, facilitate effective standardisation.

However, too much standardisation may be a barrier to creativity and empowerment. Standardisation is typically understood to mean long-standing and formal practices that are used by managements to control operators, rather than as a means for

operators themselves to directly control their work. TQM is often seen (mistakenly) as a systems-based and therefore over-programmed operational approach that takes up too much of managers' time: for example, *"Strategic planning programmes and zero-based budgeting programmes were discontinued or significantly reduced once managers understood that they were reducing innovation, inappropriately absorbing management attention...Total quality systems will probably share the same fate once managers understand the cost of control systems that attempt to programme basic work processes and, at the same time, demand a great deal of attention from operation managers,"* (Simons, 1995b: 171).

statistical process control (SPC) (see quality tools)

stock markets (see credit crunch)
A stock market is a public market for trading an organization's stocks and shares (and derivatives). Prices vary considerably determined not only on the basis of the earning power of the organization or the likelihood that the value of the shares will rise, but also on sentiment, depending upon prevailing conditions and people's perceptions. Markets are subject to bandwagon effects when a rising (or falling) market encourages people to buy (or sell) and thus inflate (deflate) prices beyond their realistic longer-term prospects. A rising market with inflated prices is often called a 'bubble'; in the end bubbles burst and prices fall back quickly. The great potential of the Internet fed the optimism of the dot.com bubble. At the time, *"Several commentators insisted there was no fundamental reason why share prices could not go on rising indefinitely,"* (Levis, 2009: 346).

straddler (see competitive strategy)
A straddler is an organization that competes on both (generic) sources of competitive advantage: cost and differentiation.

strategic alliances & partnerships (see global-level strategy, networks)
Strategic alliances and partnerships are formal and informal associations and collaborations between independent organizations. The purpose varies, but the partners may jointly develop and commit to strategies, and/or to involve partners at different stages or through the entire strategic management process. It includes partnerships, a *"working relationship between two or more parties creating added value for the customer. Partners can include suppliers, distributors, joint ventures, alliances,"* (EFQM, 1999). Strategic alliances have become more important and this has given rise to a growing literature on the importance of external integration and sourcing, including the virtual corporation, buyer-supplier relations and supply chain management, and technology collaboration.

There are many natural alliances, including customers who have major accounts and key distributors, preferred suppliers, major institutional shareholders, and publics (as in public relations). Other forms include joint ventures (separate legal companies are established and owned jointly by the partners); equity exchange (where one company takes a share stake in another); informal agreements, say, about a common set of standards, distribution etc; contractual arrangements (including licensing, franchises, distribution rights, and manufacturing agreements). Alliances are formed so that the partners can learn from one another, such as new technologies, management approaches, or about unfamiliar markets. Alliances may sometimes enable a

participant to bypass a protected market. They are also risk spreading, especially where potential competition is reduced, and can be a quick way to enter new markets.

Globalization is an important influence. For example, NEC and Hewlett-Packard have agreed to co-operate on providing outsourcing services to global customers as part of their existing alliance in IT systems (Nakamto, 2002). General Motors' expansion strategy has been unique in the automotive industry. Instead of buying up companies it buys minority stakes. Benefits have included purchasing savings from extra scale, diesel engines from Isuzi and Fiat, the new Saab, Suzuki's recent agreement to sell Chevrolets in Japan, and the Agila small MPV sell in Europe as an Opel but designed by Suzuki. The company spends less of its capital and it has none of the integration problems that mergers like Daimier-Chrysler have brought (see Mackintosh, 2004). Toyota and Peugeot-Citroen, on the other hand, are in an agreement to produce 300,000 cars in Europe. This aims to achieve economies of scale, development and productions costs are shared without either company renouncing its independence. Peugeot-Citroen now has experience of the Toyota Production System, while Toyota gains an insight into the mind set of one of Europe's biggest indigenous car makers and knowledge of its suppliers and their capabilities (Griffiths, 2005).

In 1999 Renault and Nissan entered an alliance. Renault assumed a 36.8% stake (now 44%), allowing Nissan, which had incurred huge debts during the Asian financial crisis, to invest $5.4b and retain its investment grade status. Renault's top management agreed to three important principles during negotiations. Nissan would retain its name, the Nissan CEO would be appointed by the Nissan board, and Nissan would take the principal responsibility for implementing a revival plan. Renault was reducing its dependence on Europe (although it was already strong in Latin America), and Nissan offered access to the North American and Asian markets. In 2004 the combined global sales were 5.7m, representing more than 9.6% of the worldwide market. The combined group ranks fourth in global automakers and includes five brand names: Nissan and Ifiniti for Nissan, and Renault, Dacia and Samsung for the Renault Group. Nissan is the largest company, with revenues of €64m and a workforce of 184k employees, and Renault with €41m and 131k employees.

Renault-Nissan are seeking an alliance for the US market, but talks with General Motors failed in October (2006). This leaves Ford as a possible partner: three months previously, Ford had approached Carlos Ghosn, the group CEO, about a possible partnership should the GM talks breakdown. However, since then a new Ford CEO has been appointed and he seems unwilling to take this course. The R-N alliance had wanted 20% of GM, but the American firm had wanted a high payment in return.

An important motivation for strategic alliances is learning. GM has exploited the learning opportunities created by NUMMI, a California-based alliance with Toyota, especially to learn about lean manufacturing. However, in this instance, it took about eight years before real learning at GM began, largely as a result of causal ambiguity (Inkpen, 2005)(see benchmarking).

There are also consortium types of partnership, where companies may come together to bid for a third party. Heineken and Carlsberg, independent firms. seem likely to make a successful joint bid for Scottish & Newcastle. Heineken aims to become

number one or two in the beer markets in the countries it operates, but at the moment has only 1% or the British market, but if successful it would become the leading brewer in the UK. Carlsberg aims to take full control of those businesses it is in joint ventures with S&N in parts of the old Soviet Union, (Wiggins & Anderson, 2007). Another example is the successful hostile and across-borders bid for the Dutch bank, ABN Amro, which involved the Royal Bank of Scotland, Santander of Spain, and Fortis, a Belgo-Dutch group. It is expected that the ABN Brazilian and Italian businesses will go to Santander, while the fund management and private bank parts will go to Fortis. The division of the wholesale and retail banking business is uncertain. It seems likely that the RBS is focusing on the US operations and countries where it does not presently operate very strongly. The whole process of break-up and integration is expected to take about three years (Larsen, 2007). Both the bids for S&N, and ABN, were designed to facilitate break-ups that will satisfy EU competitive policy. The RBS has transformed itself over two decades from a provincial niche player, to a diversified global financial services provider; its alliance with other banks, such as Spain's Bank of Santander, has enabled it to build an awareness of European banking with minimum commitment or capital outlay.

In the wake of the credit crunch, the ABN Amro purchase is now viewed by the ex-Chairman of RBS, Sir Tom McKillop, to have 'been a 'bad mistake' as it increased RBS's exposure to the wholesale market (evidence to Commons Select Committee, Feb 9, 2009).

strategic analysis (see strategic choice)

strategic architecture (see architecture, strategic platforms)
Strategic architecture is a blueprint or template for an organizing framework that conditions how people work.

strategic assets (see the resource-based view, dynamic capabilities)
The term, strategic assets, is sometimes used as a surrogate for strategic resources. For example, Teece (2000) argues that businesses are *"portfolios of idiosyncratic and difficult-to-trade assets and competences…competitive advantage can flow at a point in time from the ownership of scarce but relevant and difficult-to-imitate assets, especially know-how."* (1319). Amit & Schoemaker (1993) use 'assets' and refer to capabilities to mean the ability to manage assets. In the long-term successful businesses extend their strategic assets to learn new capabilities.

strategic business units (SBUs) (see strategic portfolio analysis)
SBUs are autonomous single businesses within a corporate structure, with perhaps their own business-level generic strategy, distinctive organizational cultures and competencies.

strategic change (see incrementalism, management of change, stability)
Strategic change is transformational change that is focused on changing an existing business model. Much of the early literature has focused on the more general issue about how to effect major change. The dominant belief before the 1930s was that there was a 'one best way' for managing organizations. Thus Weber's bureaucratic structures and controls, and Taylor's scientific management, were mooted as universal models. An open systems' view of organizations emerged during the 1930s that held that the effectiveness of an organization depends on how appropriately the

characteristics of an organization are matched with the attributes of its environment. An organization should adapt itself and what it does, by monitoring environmental change and then change itself and its environment accordingly. Various theories have been proposed to explain how adaptation takes place. They differ to the extent to which managers are perceived to be able to influence the adaptation process.

"Scholars in the field of business policy have argued that managers can and do influence organizational change through creating and changing organizational purpose (Barnard, 1938; Selznich, 1957; Andrews, 1980), through analytical planning systems (Ansoff, 1965; Ackoff, 1970), and through modifications in their structures and processes in response to changes in the external environment (Chandler, 1962; Lawrence & Lorsch, 1967; Thompson, 1967). Among organizational theorists, this view has been advocated by Child (1972), who has argued that the dominant coalitions (roughly, the senior managers) in organizations have considerable autonomy to choose among strategic alternatives, thereby enabling organizations to adapt proactively, rather than merely to accommodate to uncontrollable changes. They can choose the environment (i.e. industry or market) to operate in, the technology to adopt, and the structure and control systems that are appropriate to deal with the size and diversity of their operations. Besides, they can also manipulate or control their environments. Collectively, these abilities to exercise strategic choice allow organizations to creatively adapt to environmental contingencies.

"A different perspective on the adaptation process is offered by the natural selection model of organizations. In essence, proponents of this view (e.g. Hannan & Freeman, 1977; Aldrich, 1979) argued that internal structural arrangements and external constraints create inertial pressures on organizations that substantially limit the ability of managers to exercise any strategic choice. Besides, managers' perceptions of reality are often highly homogeneous, which makes truly proactive strategic change improbable…Similar divergence in views also exists with regard to the process of organizational change. On the one hand, authors such as Ackoff (1965) and Steiner (1979) have proposed models that view the process as highly analytical and rational. Change, in these models, arises from analysis of gaps between organizational aspirations and capabilities, and from actions to meet those gaps through the processes of planning and control. On the other hand, authors such as Weick (1969), and Cohen et al. (1972), have viewed organizations as loosely coupled systems, or as garbage cans, where the process of change involves many activities besides making choices...In these views of organizations, steams of problems, solutions, participants, and choice opportunities float around, and although a chance confluence of these streams can and does produce organizational change, the processes by which such choices arise are entirely different from the analytical and rational process assumed in the strategy literature.

"At one extreme, researchers such as Quinn (1980: 58) have found the process to be incremental, with change emerging 'step by step from an iterative process in which the organization probes the future, experiments, and learns from a series of partial (incremental) commitments rather than through global formulations of total strategies'…Miller & Friesen (1974), on the other hand, have proposed the quantum view of organizational change, where long periods of the maintenance of a given configuration are punctuated by brief periods of multifaceted and concerted transition to a new one. In other words, change is seen as arising from strategic leaps.

"The field of organizational design (OD) reflects a similar lack of consensus...Inherent in most of the planned change models, however, is the framework of unfreeze-change-refreeze first proposed by Lewin (1958)...This model views change as a discrete phenomena to be achieved through the intervention of an external change agent. Self-design, or the notion of designing into the organization a flexibility that facilitates continuous redesign, is a relatively new thrust in the field of OD. Hedberg et al. (1976), in a pioneering work, have suggested that organizational design should be more like erecting tents than palaces. The metaphor emphasizes the need for flexibility, creativity, immediacy, and initiative rather than authority, clarity, decisiveness, or responsiveness in designing adaptive organizations. This notion of self-design is consistent with the emerging concept of organizations as interpretation and learning systems, a concept that lies at the core of our views on strategic control," (Lorange et al. 1986: 24-26).

In his study of strategic change at ICI, Pettigrew (1985) makes a distinction between three dimensions: (1) content (the assessment and choice of products and markets, objectives and assumptions, targets and evaluation); (2) context (internal – resources, capabilities, culture and politics, and external – economic/business, political and social), (3) process (change managers, models of change, formulation-implementation, patterns through time). Strategic change is seen as a complex, situation-dependent and a continuous process. However, the response to change is sometimes viewed as a sequence; for example, of four stages: (1) a development of concern (legitimising the notion of change), (2) getting the acknowledgement and understanding of the problems, (3) planning and acting, and (4) stabilizing change (see Pugh, 1997).

strategic choice (see strategic thinking)

Strategic choice concerns the available options open to an organization in deciding its strategy to adopt so that the organization will effectively achieve its purpose. It involves the definition and nature of strategic options and how strategy can be chosen. It thus covers criteria for choosing between alternative strategies, and includes the tools for the evaluation of options. In essence it is more about the choice of the <u>content</u> of a strategy, rather than <u>how</u> it is to be managed. *"Those who say that business success is all about execution are wrong. The right product, markets technology, and geography are critical components of long-term economic performance. Bad industries usually trump good management, however: in sectors such as banking, telecommunications, and technology, almost two-thirds of the organic growth of listed western companies can be attributed to being in the right markets and geographies. Companies that ride the currents succeed; those that swim against them usually struggle. Identifying these currents and developing strategies to navigate them are vital to corporate success,"* (Davis & Stephenson, 2006).

Strategic choice involves making (continuous) decisions such as what kind of business to be, in what industry and markets to operate, and how to position in the environment to be able to compete successfully. Classically, following the seminal work (including Andrews, 1971; Ansoff, 1965; Chandler, 1962; Hofer & Schendel, 1978; and Learned *et al.* 1965), it involves specifying and using decision-making frameworks for scanning the external environment (e.g. PEST, competitive analysis), and assessing internal resources and capabilities (e.g. SWOT, value chain). This involves an analysis of the external (including the competitive) and internal

environments, and a diagnosis of current performance. To craft a strategy to achieve a set of strategic objectives, a firm must take account of all these, when a senior management might use a SWOT analysis and a strategy map.
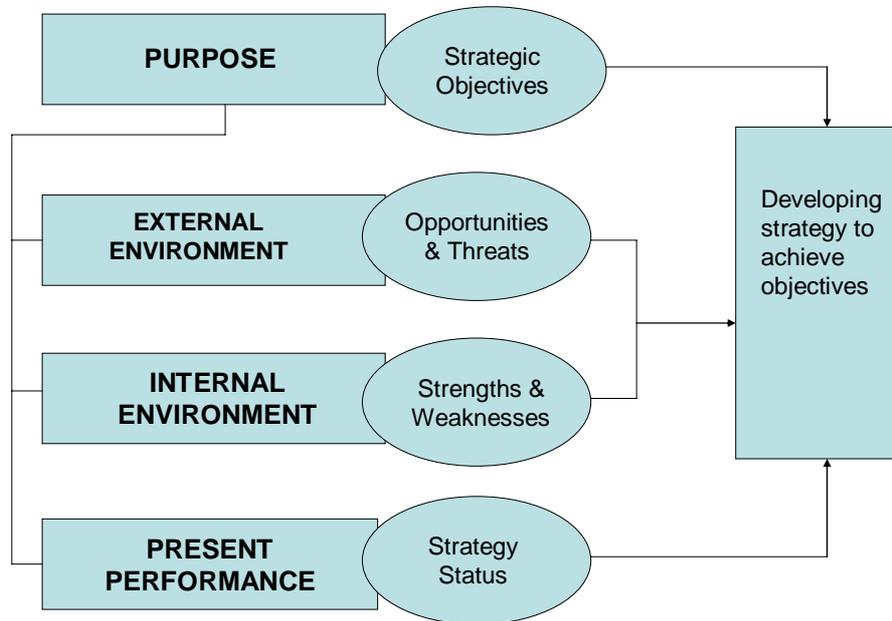
An analysis of the (external) environmental situation can involve six types of consideration: (1) the character of the industry, markets (e.g. what defines it, the nature of demand, customers, competitors, industry profitability), (2) the strength of competitive forces (the five force model), (3) drivers of change (PESTEL trends), (4) the strategic approach of competitors (purpose, objectives, strategies, competitive advantage), (5) the industry's key success factors (the 3-5 major determinants of financial and competitive success), and (6) the attractiveness of the industry, given 1-5, (i.e. the strategic possibilities and risk factors).

Michael Porter (1987) favoured the use of analytic techniques to develop strategy. Ohmae (1983) argued that effective business strategies result from particular states of mind; strategists do make use of analysis, but primarily it is to stimulate the creative process, to test the ideas that emerge, to work out various strategic implications or to ensure successful execution. There is certainty no universal panacea for making strategy choices. Hamel (1997) observed - *"The dirty little secret of the strategy industry is that it doesn't have any theory of strategy creation,"* (1997: 80). This is true (although it's not exactly a secret), but there are many techniques that help, as Ohmae implies, including SWOT, PESTEL, five competitive forces analysis, strategic portfolio analysis and many others. Decision-makers will typically want to estimate discounted cash flows for alternative courses of action, the probability of success and the identification of risk factors, the availability and nature of resources, the dependence on partners, and the centrality of a proposed strategy to purpose and overall objectives, and so on. However, the process should not become too complex.

Jack Welch, ex-GE CEO, observes *"More than a few times over the past three years, I have been on speaking programmes or at a business conference with one big strategy guru or another. And more than a few times, I have listened to their*

presentations in disbelief. It's not that I don't understand their theories about competitive advantage, core competences, virtual commerce, supply chain economics, disruptive innovation, and so on, it's just that the way these experts tend to talk about strategy – as if it is some kind of high-brain scientific methodology – feels really off to me…Forget the arduous, intellectual number crunching and data grinding that gurus say you have to go through to get strategy right. Forget the scenario planning, year long studies, and hundred-plus page reports. They're time-consuming and expensive, and you just don't need them. In real life, strategy is actually very straightforward. You pick a general direction and implement like hell [165]*…you just should not make strategy too complex. The more you think about it, and the more you grind down into the data and details, the more you tie yourself into knots about what to do…strategy is an approximate course of action that you frequently revisit and redefine, according to shifting market conditions. It is an iterative process and not nearly as theoretical or life-and-death as some would have you believe,"* (Welch, 2005: 166). Welch proposed a questioning process for choosing strategy and to see if it is still working. He 'strongly' believed this should not be a wide-scale, bottom-up event, but limited to the chief executive or unit leader, along with his or her direct reports, since they have the overall view and will ultimate commit the resources the strategy needs.

Techniques are aids and do not constitute judgement, which is more of an art than a science. In fact, the nature of strategic decision-making remains one of the most problematic areas of strategy. How rational can decision-making be and who really makes the decisions - are they deliberate or emergent, to what extent does senior management deliberately plan or intuitively craft strategy? Even so, choice should be based on an informed understanding of the situations facing the firm. It is important to scan and monitor the firm's external and internal environments, to review progress on decisions and not to ignore market intelligence, so that any necessary changes are made in good time and do not come as too much of a surprise.

strategic consensus (see strategy implementation, nemawashi)

strategic control (system) (see management control, levers of control, budgets)
Strategic control is the overall control of the effectiveness of strategic management, including both longer and shorter-term components, which is driven by an organization-wide integrated system of review. Thompson *et al.* (2005) explained strategic control as: *"Monitoring developments and initiating corrective adjustments in the company's long-term direction, objectives, strategy, or execution in the light of the company's actual performance, changing conditions, new ideas, and new opportunities,"* (17). Classically, Anthony (1965), made a distinction between strategic planning, management control, and operations, in which he relates strategic control to strategic planning; management control is different - while middle management provides feedback from operations to strategic planners to influence drive strategic planning, it does not drive it. This difference relates to the different nature of longer-term strategic planning, and short-term implementation, say, over an annual planning cycle. Kaplan & Norton argued that strategic control is subject to double-loop feedback and concerned with basic assumptions (the cause-and-effect hypotheses of the balanced scorecard), while operational feedback is diagnostic, single loop and concerned with taking corrective action. They maintain, however, that an organization's management control systems, notably those of incentives and rewards, should be aligned and consistent with strategy (1996b; 2001). Daft &

Macintosh (1986) identify four categories of strategic and management control. One involves using budgets as part of an annual plan; these involve monthly measurements and are concerned with controlling resources. A second involves performance appraisal; this is also part of annual planning and involves annual measurements to control processes. The third is policies and procedures, which are standing guidelines concerned with the management of processes. The last is statistical reports; these are relevant to the annual plan and monthly measurement, and control the outputs of departments. Daft & Macintosh find middle management is the most likely to monitor and control strategy, and this is typically done with statistical reports. These will normally include reported non-financial data, such as personnel complements, the number of customer contacts, volume of received orders, delinquent account rations, and other statistics relevant to a department.

Horowitz (1979) found that in UK, French and German organizations top managers *"neither monitored the degree to which strategy was well implemented, nor whether key factors for success were taken into consideration and matched with the firm's resources"*, (2). Horovitz argued that strategic control should focus *"on setting standards and evaluating performance in the following areas: key assumptions concerning the evolution of the environment and of the resources of the firm, maintenance of crucial factors for success, the development of distinctive competences and key priorities and results,"* (*ibid.*). In their book, *Strategic Control Systems*, Lorange *et al.* define strategic control *"as a system to support managers in assessing the relevance of the organization's strategy to its progress in the accomplishment of its goals, and when discrepancies exist, to support areas needing attention... [a system is] that combination of components which act together to maintain actual performance close to a desired set of performance specifications,"* (1986: 10). Goold & Quinn define strategic control more broadly as a control system as *"the process which allows senior management to determine whether a business unit is performing satisfactorily, and which provides motivation for business unit management to see that it continues to do so. It therefore normally involves the agreement of objectives for the business between different levels of management; monitoring of performance against these objectives; and feedback on results achieved, together with incentives and sanctions for business management,"* (1990: 43). These definitions imply that strategic control should encompass both Anthony's areas of strategic planning and management control. In the Goold & Quinn (1990) case, moreover, strategic control goes further to include a senior level control of implementation as well.

How strategic control is managed is problematic. Goold & Quinn point out that few companies identify formal and explicit strategic control measures and build these into their control systems: *"The practice of strategic control is much more complex than most writers on the subject have acknowledged. Problems include: (1) devising strategic controls that can accommodate uncertainty and flexibility in the implementation of strategy; (2) defining strategic goals that are suitable for motivating managers; (3) ensuring that strategic control system assist, rather than attempt to replace, management judgement; (4) building a strategic control system that enhances, rather than destroys, mutual confidence between management levels,"* (*op cit.* 54). They argued strategic controls are more important for stable than for turbulent and rapidly changing conditions. Dermer & Lucas (1986) note: *"managers operate only rarely in conditions they clearly and completely understand...senior*

management is unable to impose its own vision, a system of accommodation tends to develop…Organizational control emerges out of the interaction between interest groups as they define the meaning of, and then act upon specific organizational issues such as budgets, strategic plans, plant acquisitions or manpower policies…Each interest group recognises, defines, and attempts to resolve the uncertainty it faces into limited and manageable problems, and constructs its own rationality, normally one set of such control systems is publicly acknowledged as legitimate and it is usually associated with the interests of senior management (472-474)…managerial control is a combination of task, behavioural and political perspectives," (480).

It may be that strategic planning should be understood as part of strategic control (Mills, 1966), so that strategic control is a wide ranging and a combination of organization-wide approaches that includes both double and single loop learning as advocated by Simons (1995b). In fact, Simons appears to suggest that strategic control should come before strategic planning.

Control needs administration and structure to make it work. Large organizations employ, what Simons (1995b) calls control staff specialists who maintain and check, review, and police, the control systems. These might include accountants, quality controllers, internal auditors, and IT experts. The exact role varies. Staff specialists may act as authors of codes and procedures, act as work design maintenance experts, information gatekeepers. In large and complex organizations specialists in a hierarchical organization are likely to be based in specialist departments. In more devolved forms of organization specialists may be more distributed across business units, and act as facilitators and consultants, perhaps working through informal networks: see the role of quality managers at Xerox (Witcher & Butterworth, 1999a). Lorange *et al.* (1986) observed that strategy formulation and control are often organised separately. *"The planning departments of many organizations are separate from the comptroller's department. The assumption seems to have been made that the comptroller's department exercises control, and the planning department plans. Apparently, not many people perceive that the two being disconnected is a major failing in the management systems in such firms,"* (10).

Honeywell has used four major separate administrative teams (or committees) to manage four inter-linked organization-wide control processes. These are (1) strategic planning, (2) local control boards that align long-term strategic actions, (3) local goals and measures boards to focus day-to-day activities toward strategy, and (4) a cross-functional TQM council to drive continuous improvement across the business (Jones, 1998). This has similarities to a Japanese cross-functional structure approach to setting and managing the review of strategic objectives. In Japan longer-term strategic planning is largely a senior level concern, but its execution organization-wide as annual strategy is controlled through the management of hoshins. Akao (1991a) calls hoshin kanri a strategic management system, and he calls TQM a management control system.

Kaplan & Norton (2001b) write that a *"strategic management system is a <u>communication</u> system, not a <u>control</u> system,"* (323). They did this to distance strategic control from traditional accounting control systems, which they asserted are *"dominated by a concern for precision. Auditing standards require that financial measures be absolute and objective. Strategic reporting is different…We frequently*

find organizations replacing numeric reporting with performance coded into red-yellow-green indicators [often called the traffic lights]*...everyone sees everyone else's performance, integrity becomes self-policing. When someone communicates a green status when others know differently, the feedback is rapid. 'It's difficult to lie anymore'...new culture...emerges...The red-yellow-green report on strategic indicators provides an early warning system to direct team problem-solving...The only thing worse than bad news is bad news too late,"* (323-324). This it is not a case of superiors controlling subordinates directly, they argued, as the people who do the work are controlling it themselves, and in a way that is visible to all.

strategic dashboard (see balanced scorecard)
A dashboard is a panel of metrics used at the senior level to drive the business. More formally a strategic dashboard is a document that specifies the organization's purpose statements, strategic objectives, CSFs, KPIs, and any other indicators important to the health of the business. It can be used as an important part of strategic control since it provides senior management with a crows-eye view of the overall progress and health of the organization. *"We use the analogy of driving a car. When you drive a car you have big dials, such as the speedometer, that you frequently look at and provide you with key information. You always want to know what's going on in terms of your speed. Then you get small dials such as the battery condition, the rev counter, things that you might want to refer to periodically...and then you've got warning lights, the classic one being something such as oil pressure, that whilst its green or whilst its off you are not going to worry about it, but if it goes red you want to know immediately, because you are probably going to have to react fairly quickly,"* (a pharmaceutical company, quoted in Mackay, 2005: 33).

A famous version used by BAT, to deploy understanding of its key strategic and performance indicators, uses a picture of a car dashboard with dials, steering wheel etc, and, through the window screen it is possible to see in the distance possible changes, and the organization's direction statements, like signposts, pointing the way forward. See the figure below, depicted for a BAT SBU, the Trade Marketing Division (TMD).

THE STRATEGIC DASHBOARD FOR A SBU (TRADE MARKETING)
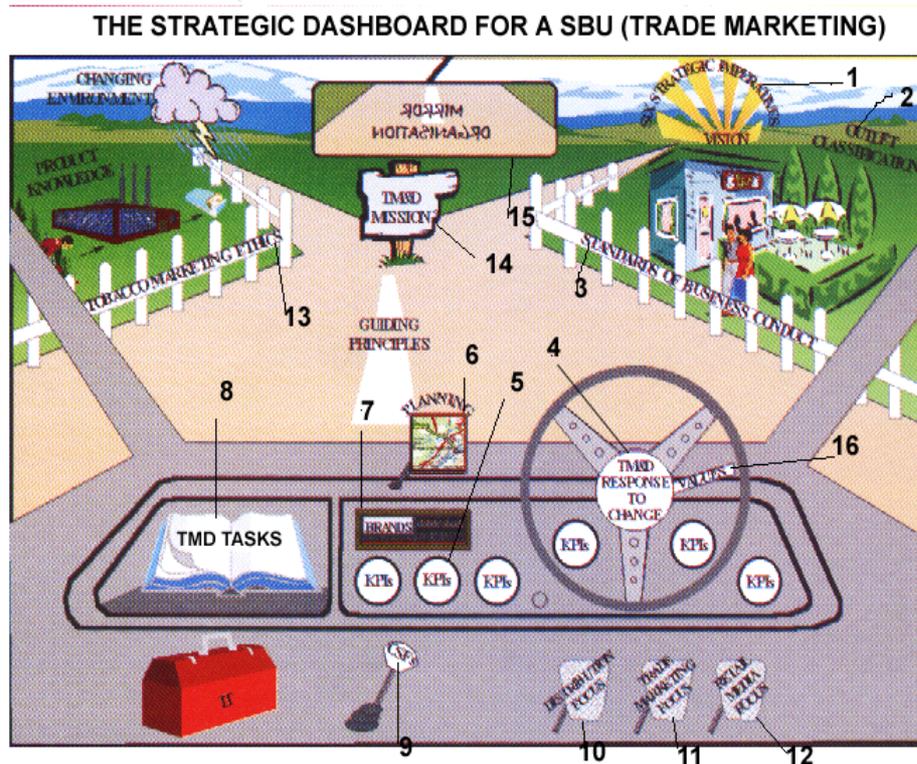
1. Six strategic imperative – mission
2. Outlet classification
3. Standards of business conduct
4. SBU's response to change
5. KPIs
6. Planning
7. Brands
8. TMD's task
9. CSFs
10. Distribution focus
11. Trade marketing focus
12. Retail media focus
13. Tobacco marketing focus
14. TMD's mission

Often a dashboard is a computerised screen with tables and diagrams of key indicators, when it is also sometimes called a business activity monitoring system. A dashboard is a useful medium to present strategic and diagnostic (cross-functional) objectives side-by-side. It can include objectives and measures taken from a balanced scorecard, as well as including best practice from a performance excellence model, and so on. A good dashboard can be used to support various roles, such as balance, linkage, and integration for objective setting and deployment. It is good as a medium of combination if it presents data easily, in the same way that a car's dashboard displays performance information. Some of the (mostly consultancy) literature seems to confuse a dashboard with the scorecard. In fact, if it is a strategic dashboard, then one would expect data that is sufficient to cover all strategic indicators, not just the CSFs, say, that might be associated with a balanced scorecard. One of the associated performance management ideas is that the 'dials' should trigger alarms, perhaps

through a traffic light system, in good time to enable corrective action, or to identify any need for important changes. Some observers argued that the dashboard should be proactive enough to seek change, and that an environment scanning dimension should be built into its design.

strategic development (see business development & business improvement)
strategic decisions (see strategic choice)
strategic direction (see growth strategies, strategic intent)
strategic drift (see strategy development)

strategic fit (see competitive, contingency, complementarity theory)
Strategic fit is how an organization matches its internal capabilities to the external opportunities in its environment; a unit's performance is a function of how good the fit is: this is a contingency theory point of view. Authors of an evolutionary persuasion, argued managers can have little influence and that it is primarily the nature of the environment that determines which firms survive and which lose out, so that firms must fit to their environment. Pettigrew *et al.* (2003) review complementarities in relation to 'fit' in organizational theory. They made a distinction between contingency, configuration, and complementarities theory: while contingency theory is concerned with finding the one best fit, configuration theory is about how several effective solutions might provide a fit; the theory of complementarities focuses on the creation of inimitable strategic resources that fit together to complement and sustain each other. Porter (1996) used 'fit' to describe how activities at Southwest Airlines and IKEA fit together to reinforce each other: he suggests there are three types of activity fit: (1) first order activities that produce consistency in action; (2) second order activities that reinforce other activities; (3) third order activities which optimise effort. Oliver & Wilkinson (1988) suggest that Japanese organization and management is effective as a total business strategy which strategically fits functional strategies together. As a notion of internal alignment, 'fit' is sometimes called internal fit (Siggelkow, 2002b).

Internal fit is important to the resource-based view. *"Internal fit implies not only consistently, but reinforcing complementarities among the organizational elements as well… An important lesson of resource-based theory is the resources and capabilities come in bundles…How these bundles form, how they change, and how they are managed by means of various integration and coordination processes presents an important set of questions the dynamic capabilities brings to the fore. Thus, achieving internal fit under conditions of change is an important aspect of the managerial orchestration of co-specialized assets* [i.e. strategic resources]," (Helfat *et al.* 2007: 41). The effectiveness of a dynamic capability is context dependent, and to assess how a capability fits a context depends, according to Helfat *et al.* upon both evolutionary and technical fitness. These are essentially to do with performance measures (41). The former *"refers to how well a dynamic capability enables an organization to make a living by creating, extending or modifying its resource base,"* (7). Teece (2007) refers to the evolutionary environment as the external or selection environment, and he suggested a dynamic capability should shape, not merely respond, to its external environment, and that this is arguably 'entrepreneurial' fitness. Technical fitness is defined by how effectively *"a capability performs its function, regardless of how well the capability enables a firm to make a living,"* (Helfat *et al.* 2007: 7). (A corollary is how the objectives of a balanced scorecard

could be thought about as indicators of evolutionary fitness, while an objective's measures might constitute indicators of technical fitness.)

The Helfat *et al.* theoretical notion of fitness, applies only to dynamic capabilities, but 'fitness' in practice has a more general meaning as the health of the organization (see performance excellence).

strategic groups & strategic maps

Strategic groups are groups of organizations in an industry that share similar competitive characteristics. In other words, strategic groups are configurations of organisations within an industry that have similar strategies, so that a *"firm within a group makes strategic decisions that cannot readily be imitated by firms outside the group without substantial costs, significant elapsed time, or uncertainty about the outcome of those decisions,"* (McGee & Thomas, 1986: 150). It is likely that for many industries all the fundamental strategic differences among the different players are captured by a small number of strategic groups. Patterns of similarity may exist for several reasons. These are often determined and influenced by the number and size distribution of groups, the degree of similarity of strategic decisions and market interdependence between them (Porter, 1979). The different competitive positions of the groups, and the firms within them, may be compared figuratively as a strategic map. Thompson *et al.* (2005: 76-77) suggest four steps: (1) identify the competitive characteristics that differentiate firms in an industry (typical variables are price/quality range; geographic coverage; degree of vertical integration; product-line breadth; use of distribution channels, and degree of service.); (2) plot the firms on a two-variable map (chart) using pairs of these differentiating characteristics; (3) assign firms that fall in about the same strategy space to the same strategic group, and (4) draw circles around each strategic group, making the circles proportional to the size of the group's respective share of the total industry sales revenue. The variables chosen as axes should not be highly correlated and they should expose big differences in how rivals expose themselves in the market. Several maps can be drawn to derive a good overview of how firms are competing.

It is likely that companies focus on improving their competitive position within their strategic group. To create new market space across existing groups requires understanding the factors that influence buyers' decisions to trade from one group to another. Despite strategies being broadly similar, Cool & Schendel (1988) showed there are systematic and significant differences in performance among firms which belong to the same strategic group within the US pharmaceutical industry. (The differences may be due to firm-specific resources, see the resource-based view.)

strategic intent (see priorities, vision)

Strategic intent is a very ambitious and seemingly unrealistic long-term organizational goal used by Japanese firms. Hamel & Prahalad (1989) argued that the success of the Japanese was due to the simplicity of statements of strategic intent, such as Komatsu's intent to 'Encircle Caterpillar' or Canon's to 'Beat Xerox'. While in a sense specific, such statements are general and open. Hamel & Prahalad maintain they were used to direct organization-wide decisions. The aim being to achieve a sizeable strategic stretch, and to create an organization-wide obsession with a level of achievement that is out of all proportion to existing resources and capabilities. *"Strategic intent is like a marathon run in 400-metres sprints. No one*

knows what mile 26 will look like, so the role of top management is to focus the organization on the ground to be covered in the near 400 metres, and it does this by setting corporate challenges that specify the next 400 metres. As with strategic intent, top management is specific about the ends (reducing product development times by 75%, e.g.) but less prescriptive about the means," (*op cit.* 67).

Hamel & Prahalad (1989) use Japanese examples to point out a prevalence in western organizations of a *"strategy hierarchy"* that limits full participation; the Japanese had *"developed ways to harness the wisdom of the anthill,"* (75), they suggest. Notice that it is only the longer-term objective that is open, but that the mid-term objectives are specific (and SMART). See Shook (1998) in scientific management for the TPS.

Critics have claimed strategic intent can only be a slogan for exhortation. Others have seen it as a powerful vision because it uses emotion and intuition, and weakens the command and control of top-down strategy formulation and implementation. Hamel & Prahalad (1989: 67-68), however, argued senior management must make challenges understandable to everybody so that its implications are seen for their own jobs. The following must be done.

- Create a sense of urgency (create a quasi-crisis)
- Develop a competitor focus at every level through widespread use of competitive intelligence (e.g. through benchmarking)
- Provide employees with the skills they need to work effectively (training in quality tools, team-working)
- Give the organization time to digest one challenge before launching another (avoid fads, too many changing priorities)
- Establish clear milestones and review mechanisms (internal recognition and rewards should reinforced desired behaviour)

The main thrust of the Hamel & Prahalad work is that resources ought to be strategically leveraged to achieve longer-term objectives. The role of senior managers is to specify clearly the ends, but to be less specific about the means. This leaves room for creativity in others, sustains enthusiasm, and encourages people to provide new operational approaches as circumstances change. The general idea of a long-term posture helped along by short-term challenges goes back at least to Waterman *et al.* (1980) and their 7S framework article: *"Their* [senior management] *favoured tactic was to choose a temporary focus, facing perhaps one major issue this year and another next year or the year after. Yet at the same time, they were acutely aware of their peoples' need for a stable, unifying value system – a foundation for long-term continuity. Their task as they saw it was largely one of preserving internal stability while adroitly guiding the organization's responses to fast-paced external change...Companies such as IBM, Kodak, Hewlett-Packard, General Motors, DuPont, and Proctor & Gamble, then, seem obsessive in their attention to maintaining a stable culture. At the same time, these giants are more responsive than their competitors. Typically, they do not seek responsiveness through major structural shifts. Instead, they seem to reply on a series of temporary devices to focus the attention of the entire organization for a limited time on a single priority goal or environmental threat,"* (1980: 16).

Collins & Porras (1994) suggest a kind of vision statement that resembles a statement of strategic intent. This is a BHAG, pronounced *bee-hag*, which means Big Hairy

Audacious Goal. It is a long-term objective, which is like a big mountain to climb. An example was Sony's 1950s' 25-year goal to: *"Become the company most known for changing the worldwide image of Japanese products as being of poor quality"*, (Collins, 2002). It serves as a unifying focal point of effort, galvanizing people and creating team spirit. It is crisp, compelling and easy to understand and is used to force people to think creativity beyond the constraints of current resources (see 'vision').

strategic issue management (see priorities, hoshin kanri)
Ansoff called this the management of a strategic issue, which *"is a forthcoming development, either inside or outside of the organization, which is likely to have an important impact on the ability of the enterprise to meet its objectives,"* (Ansoff, 1984: 337). He was aware that strategic planning in the 1970s had not addressed on-going issue management, that conventional strategic planning was based on an <u>annual</u> assessment of multiple strategies and might overlook pressing issues as and when they occurred. Ansoff outlined a strategic issue management system that would address issues throughout the year. This requires continuous scanning of both the internal and external environments. Thus, following Lorange *et al.*:

"The organization directs its collective energy toward understanding the impact of the issue and in overcoming the threats or exploiting the opportunities posed by the issue...General Motors may declare that to remain the world's largest automobile manufacturer, GM must deal with the issues of productivity and quality...[so it] *establishes criteria for success and measures itself against them...The concept of single-issue management has recently* [early 1980s] *been broadened in the form of strategic issues management...processes and systems* [are] *designed to be flexible, sensitive, and action oriented, thereby minimising the probability of and reducing the impact of strategic surprises,"* (1986: 101).

strategic leaders (see leadership)
These are individuals who have leadership attributes and who are dispersed across the organization, and who influence and empower others to participate in strategic management.

strategic leadership (see leadership)
The lead taken by the executive and senior managers to manage strategically the elements of the POSIES model as an integrated system of strategic control; which takes into account both the long-term and shorter-term needs of the model.

strategic leap (see management of change)
strategic leverage (see priorities, strategic intent)

strategic levers (see levers of control)
These are four information-based systems that senior managers can use to lever an organization into a desired strategic position.

strategic management (see strategy, corporate strategy)
Strategic management is the management of an organization's overall purpose, in ways that ensure that the needs and enablers of the present are balanced with those of the future. Strategic management is the overall (and general) management of a firm's or an organization's long-term purpose. Good strategic management results in

joined-up and good organization-wide management, which is consistent enough to synergistically manage the whole to the benefit of stakeholders. To be effective an executive (a senior level) needs an organization-wide integrative framework to manage its strategic management. The figure below illustrates the kind of integrative framework that is needed; this is the UEA POSIES framework for strategic management based on Purpose, (strategic) Objectives, (overall) Strategy, Implementation, Execution, and Strategic Control.

Components of Strategic Management: The POSIES model
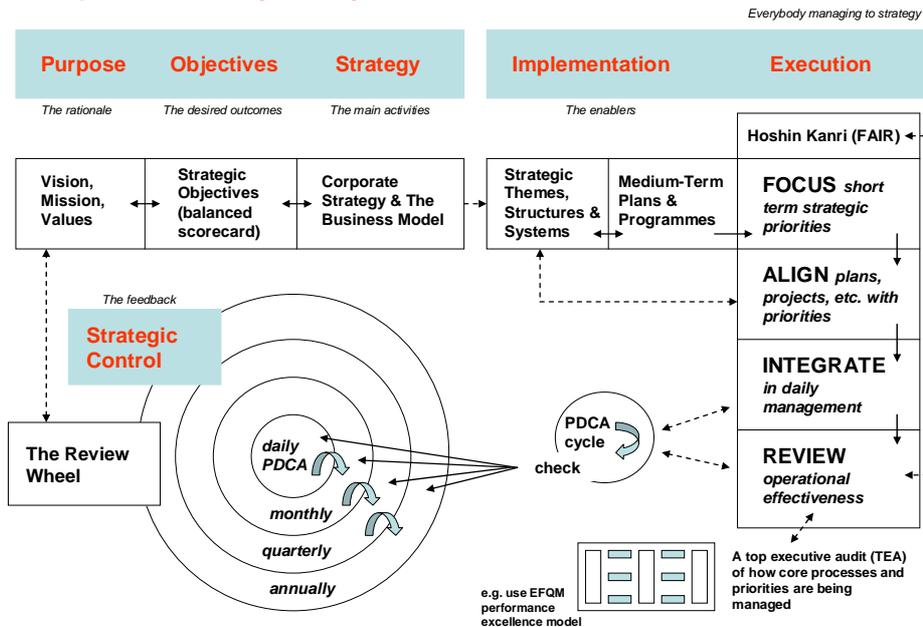
> *"FAIR (Focus-Align-Integrate-Review)...*
> *There will I make a bed of roses,*
> *With...fragrant POSIES (Purpose-Objectives-Strategy-Implementation-Execution-Strategic Control)..."*
> William Shakespeare, *The Passionate Pilgrim*, verses VII & XX)

Broadly there are three connected but conceptually distinct components to the POSIES representation of strategic management:

(1) Purpose-Objectives-Strategy – the firm's long-term rational, desired outcomes, and critical enablers, which together give to the wider organization the longer-term framework within which to sustain and manage change over the shorter-term;

(2) Implementation-Execution – the strategic planning and translation of purpose in the daily management of strategy and operational effectiveness;

(3) Strategic control – the firm's on-going system for organizational feedback and learning to achieve purpose.

The first component of the POSIES framework is 'purpose'. This involves the determination of purpose statements. These are of three kinds. Vision is the firm's purpose expressed as a desired future state; it is typically aspirational and inspirational, and is used to set the overall direction. Mission is a statement of the main things a firm performs, the business (industry and markets) it addresses, and often includes statements about the needs of the key stakeholders it serves. Values

include statements about codes of behaviour, the ethical standards and responsibilities the firm holds to, and its important business philosophies and management methodologies.

Strategic Objectives are the overall objectives of the firm or organization for achieving purpose. A balance of objectives may be identified to measure both enablers (drivers) and desired performance outcomes, when a corporate or strategic balanced scorecard is used. A strategy map provides a basis for environmental analysis and strategic decision analysis for understanding the links between the scorecard's perspectives, objectives and measures, and purpose statements; it can also to determine current status of factors influencing strategic choice, especially to review existing, or to craft a new corporate strategy.

Corporate strategy is the overall policy or approach a firm or organization has to achieve purpose and the (scorecard) objectives. Much of the strategic management literature is about competitive strategy, which are those objectives and strategies that give a firm or organization its longer-term competitive advantage or competitive difference. A lot of the associated literature is about how to choose an effective competitive position in a particular industry or market. More recently the resource-based view has focused on firm specificity and the uniqueness of strategically-relevant resources.

It is also necessary to identify those business areas (typically core cross-functional business processes) that are core to the effectiveness of the firm or organization in achieving its longer-term purpose. These make up the business model and are 'core' because they map out a framework for managing operational effectiveness. Some firms link these core areas to strategic risk statements, but more usually firms use them to identify the key primary and support activities that create (typically customer) value. These things must be managed effectively across the whole firm and organization. So the senior level must clarify and ensure that everybody is involved and managing these areas effectively.

Some Japanese firms also specify business philosophies and management methodologies that they regard as necessary to the effective cross-functional management of the core areas. If corporate strategy is primarily about achieving vision; the business model is more about mission and what the firm needs to do currently, to keep the organization as a whole under control and effective in meeting stakeholders' present needs. Strategy may involve changing the business model. Business philosophies and methodologies, on the other hand, can be related to values ('how people do thing around here'). In the terminology of the resource-based view of strategy, the core areas are the core capabilities of the firm, while the business philosophies and methodologies are the core competences, which underpin competitive advantage. Dynamic capabilities constitute those cross-functional processes that a senior level uses to sustain, develop and reconfigure core competences and other strategic resources and assets.

The POS-sequence is not really a sequence at all in the sense that at an executive level, one would not expect any consideration of any one of them, to take place without a concurrent consideration of the other two. Some writers place overall strategy before strategic objectives (Kaplan & Norton, 2008), while practitioners may

think of a vision or mission as an overall strategy. Concurrency plausibly makes this difference unimportant. What is important is that for any particular context, for effective strategic management, an organization should in its own terms be clear about overall purpose, objectives and its strategies for achieving them.

Implementation is the translation of longer-term purpose into organizational structures and management systems, and medium or mid-term plans (typically five to three years). Execution is the translation of mid-term plans into annual priorities for daily or routine working. The POSIES figure illustrates a hoshin kanri and FAIR approach: when a senior level focuses everybody on key annual priorities; which are used in annual planning to align local plans and systems, and are integrated into daily management; finally, the senior level reviews the management of its priorities in relation to core competences and core capabilities.

The PDCA cycle, illustrated in the POSIES figure, is a principle for managing a business process: where 'P' stands for plan, 'D' for do, 'C' for check, and 'A' for act. In other words, work should be managed through planning, working to the plan, checking progress, and acting to bring work back to plan, and if necessary, changing the plan and starting the cycle over. The PDCA cycle can be applied to any organizational level: it is used to manage work in daily management by everybody, but it is also applied to the FAIR cycle: when focus is the 'act' stage for the senior level to re-set the priorities for the coming year; alignment is the 'plan' and integration the 'do' stages, while the review phase is the senior level's 'check' on its strategy execution.

POSIES is a top-down formulation. It provides a framework in which all the levels can take (local strategic) decisions and should work to accommodate emergent strategy. But longer-term POS is decided at the top. It is important to have good strategic control in this situation if the senior level is to take informed decisions that can be implemented effectively. Strategic control is shown in the POSIES figure as an inter-linked review wheel. This is a multi-level set of activities that works bottom-up. It begins with PDCA in daily management involving routine working, monthly operational management reviews, and periodic (typically quarterly) strategic reviews, and finally, the top executive audit. Data are rolled up through the wheel from level to level; it is really a system of wheels within wheels, of cogs and gears, where the whole (should) work as a coherent system. This should be strategically managed: (1) senior management must be able to use it to test the assumptions and conditions for longer-term purpose, overall objectives, and corporate strategy/business model, and (2) it must work as a learning framework for the whole organization.

The primary responsibility for strategic management rests with the senior or executive level. Of course, strategic management involves everybody to a greater or lesser degree, including both functional and cross-functional management. In some cases it also involves external stakeholders, especially business partners at both ends of a supply chain. All firms and organizations have purpose or, at least, an implied logic for being. In this sense strategic management is useful to any type of organization, especially large and complex ones; it includes firms in competitive as well as non-profit situations, and public sector agencies.

Strategic management textbooks use similar frameworks to POSIES (see Parthasarthy, 2007: 11; Thompson *et al.* 2005; David, 2005). However, the rationalisation of strategic management as a deliberately managed business process of sequenced components worries those who see the formation of corporate strategy as an emergent phenomenon. Strategic management, they argued, should be an involving and iterative process. I use the POSIES model here as an interpretative rather than as a normative framework. There is no presumption that strategic management should be tightly or loosely managed or controlled by a top level in a 'command and control; way. Different strategic management frameworks are also offered in the literature: notably the Robert Simons (1995b) 'levers of control', and the Kaplan & Norton (1996b) 'strategic management framework'.

strategic management accounting (see performance management, strategic risk)
This is the provision and analysis of management accounting data about a business and its competitors for use in developing and monitoring business strategy, (Simmons, 1981). Fahy (2001) advocates 'strategic enterprise management', which is an information system designed to support the strategic management process (involving data from the balanced scorecard, shareholder value management, activity-based management). Whittington (2001: 65) noted that accounting for the Japanese may be more influencing than informing – that is, managers and workers are influenced to contribute continuously to strategic objectives, rather than have to react retrospectively to previous outcomes. Financial measures are used to influence ways of working that underpin strategy rather than used to police resources.

strategic map (see strategic group)
This is a pictorial assessment of the relative positions of strategic groups, used to assess and predict the possible strategic moves of competitors, and for the identification of strategic space. (It is different from a strategy map and a strategic activities map.)

strategic move (see strategic map)
A term used in association with a strategic map; it represents a move of an organization in the direction that better achieves its longer-term strategy.

strategic objectives & measures (see balanced scorecard, objectives)
Strategic objectives and measures are objectives and measures used to progress an organizational long-term purpose and/or strategy. In the context of a balanced scorecard they are used to progress a long-term vision.

strategic performance management (see performance management)
Strategic performance management is a strategically managed system that enables a senior level to execute and manage strategic priorities in daily management.

strategic persistence (strategic imperative) (see strategic intent)
Microsoft's strategic success is based upon its desktop operating system, and how Bill Gates brought this dominance about through opportunism, and maintained it by determination and persistence. It has meant anti-competitive measures. It has also involved ignoring potentially lucrative areas of development: *"paying the strategy tax…and a fanatical insistence on backwards compatibility…to ensure that customers have not had to junk their collection of programs and accessories when they move*

from versions of MS-DOS or Windows to the next. This has added complexity and cost to the development process and has helped make Windows less reliable...Bill Gates insistence on the strategic imperative has infuriated some of his most talented programmers...It just keeps plugging on. That is not very glamorous – and it often results in bloated code and feature-laden programs. But it is an extremely effective competitive weapon in an industry where products never get past the 'promising' stage," (Martin, 2001b).

strategic planning (see strategic review, planning, hoshin kanri)
Strategic planning is the sequencing of strategic management decisions in advance by an executive or senior management. It is a formal analytic process or system that creates an organization-wide design to achieve the longer-term purpose and objectives. It is not equivalent to strategic management which is a broader concept. Strategic planning should provide a capacity to manage change: for example, Lorange described strategic planning as a *"strategic decision-making tool...designed to motivate and support...strategic change,"* (1980: 1). He identified four roles: 1) to allocate a company's scarce resources, such as funds available for discretionary use, critical management talent that can be transferred from one use to another, and sustainable technological knowledge; 2) to help adapt to environment opportunities and threats, to identify relevant options, and provide an effective strategic fit with the environment; 3) to co-ordinate strategic activities to reflect internal strengths and weaknesses to achieve efficient internal operations; 4) to instil systematic management development by building an organization that is learning from the outcomes of its strategic decisions so it can improve on its strategic direction.

In his seminal text, Ansoff (1965) gave a major role to strategic planners, who analyse the elements of strategy and detail the planning tasks; they report directly to senior management. Later, Ansoff (1976) played down the role for specialists and takes a more multi-disciplinary view of planning. In his original work, specialists examine strategic trends and undertake competitor analysis, where an emphasis is placed on an examination of past trends in order to predict or forecast events, sometimes far into the future – called long range planning. In practice this is often too narrow if it means that plans are based too much on extrapolating from the past to determine the activity levels of the future; especially if it means that activity-level forecasts in a plan are increased with a steady and fixed percentage every year, when planning becomes an *"extrapolative, creativity-dampening process,"* Lorange (1980: 5). Long range planning is historically associated with the appearance of large and geographically dispersed corporations, such as General Motors and DuPont in the 1920s. The initiation of new ideas in strategic planning typically comes from the chief executive or chairman, and a planning department is used to investigate the feasibility of these ideas and develop strategies for them. The planning department may be reacting to the flashes of insight of senior management rather using formal methods to suggest change (Stiles & Taylor, 2001).

Lorange suggested it is highly unlikely there is a universally acceptable and standardised approach to strategic planning. It is more likely to take the form of *"a few general propositions about designing a planning system...an initial base of general components for planning, a series of steps...for tailoring the planning system to the strategic needs at hand,"* (*op cit.* 10). Lorange (1980) is about large organizations; he identified three levels of strategic tasks: (1) a corporate or group

level, where the primary task is to develop a favourable portfolio strategy for diverse business activities (see strategic portfolio plans), monitoring (control), and rewarding (incentives); (2) a division level, where the task is to determine how a particular business unit can succeed and compete; and (3) a functional level, where the task is to ensure that functional programmes work as an integrated whole. Lorange proposed a five stage-model: objectives setting, strategic programming, budgeting (action plans), monitoring (control), and rewarding (incentives).

The objectives setting stage involves an assessment of the rationale for the strategic direction of the firm and its businesses. It involves determining how to take advantage of environmental opportunities and threats at both corporate and divisional levels. At a divisional level there are three kinds of assessment: (1) of the potential developments will effect the attractiveness of the business; (2) of the competitive strength of the business; (3) of the opportunities and risks of breakthroughs, such a new process, consumer behaviour, sudden raw material shortages etc. (scenario planning can be used). These things have to be considered against the basic rationale for the business. A second aspect is to compare the organization's criteria for objectives performance with those of other organizations comparable in size and business, including M&A activity. This stage of strategic planning requires that the underlying assumptions and constraints should be made explicit and communicated to the organization at large (including financial, non-financial and PEST constraints). This stage provides a vehicle for the chief executive and the divisional managers to explicitly state their aspirations for the organization. Lorange stressed the importance in setting objectives for the chief executive to start the process and to assess the business opportunities and threats. He argued there should be a portfolio focus at corporate level, that functional departments should be involved in setting objectives, and that the feedback between the three levels should be iterative.

The strategic programming stage is how to develop long-term programmes to achieve internal growth. This primarily concerns the functional level. A separate corporate level set of programmes might deal with M&A activity and new business development, which falls outside existing businesses. Lorange identifies seven broad classes of programme: (1) initial entry into a business by means of initial new market and new product development; (2) market penetration for new markets with existing products, for penetrating existing markets with new products, or for penetrating new markets with new products; (3) market maintenance for present markets and products; (4) vertical integration to facilitate backward integration or/and forward integration; (5) rationalisation, which might include moves to trim access capacity, market, distribution, product line, and/or production process rationalisations; (6) increased technological efficiency, the elaboration of methods for further functional efficiency improvements, as well as traditional cost-cutting efforts; (7) terminal exit programmes for gradual abandonment and/or divestiture. These programmes are cross-functional and require that *"resources are being allocated to strategic programmes within the context of objectives...This is in contrast to the traditional allocation of resources to specific investment projects and to the organizational subunits' expenditure budgets. Thus, the various functions will have to develop programme proposals together, be jointly subjected to the division head's general management review of strategic programmes. Thus, the nature of the programming task itself might reinforce the need for inter-functional cooperation* (op cit. 150).

"Typically, many division managers will feel that there might be a need for development and analysis of separate functional plans. Such plans should, however, not fail to assess the extent to which the function is tuned in with and contributes to the strategic programming activities and to strengthen the strategic focus of each function. Thus, it seems practical to develop such functional plans as a sequel to the strategic programmes, as a summary of the roles that each given function would be expected to play in the overall package of programmes to be pursued. Many companies, unfortunately...[do the] reverse...the strategic programmes that emerge from such a sequence of events easily end up being the results of compromises between functional positions...imaginatively developed strategic programmes that are based on a more unconstrained outlook of opportunities and/or threats will probably not emerge," (151).

Another potential pitfall involves an inappropriate ranking of strategic programmes, in the sense that the order does not so much reflect strategic priority as vested interests, including existing budgets. Budgeting is closely related to the strategic programming stage. A set of strategic programmes will require action plans and the budget should reflect the cost of these. It is important to restate the short-term (usually cross-functional) programme resource consequences for the functional areas. In companies *"with no corporate planning procedures in place...the resource allocation process will be heavily focused around the capital budgeting process and the approval of expenditure budgets...The expenditure budget's role in a situation with no strategic planning would be to provide certain limits for the levels of discretionary expenditures of various kinds that each department might spend each year,"* (155).

Friction between strategic planning and classical resource allocation can severely limit strategic planning. This is especially so if the management control system does not reflect the needs of strategic management; these typically evolve through expediency in daily management and are rarely assessed and managed for their impact on strategy. The budget's role is primarily to facilitate integration and co-ordination of activities. *"However, the variables chosen must have the broader relevance to ensure that the budget becomes the culmination of the narrowing down of strategic options, i.e. is consistent with the broader contextual limits given through the objectives and strategic programmes,"* (160).

The monitoring stage is the measurement of progress and feedback on the fulfilment of the strategies decided on during on during the three previous stages. This provides a critical role in facilitating self-corrective improvements of strategies and systematic learning. The measurement of progress should begin at the start of each of the previous stages. The main lines of feedback are shown in the figure below as pecked lines.

The final stage of linking strategy to managerial incentives involves ensuring that *"managers are motivated and willing to work together in a shared direction toward a long-term strategic position advantageous to the firm. For this to be possible there must be at least some degree of congruence between personal goals of each individual key manager and the corporation's goals,"* (52). Promotion and job mobility tend to favour shorter-term individualism, thus incentives need to be tied to the achievement of strategic objectives, strategic programmes and budgets.

The task of developing an operational set of coordinated strategic plans for a large organization is complex. It is necessary to develop tight time schedules for what is being developed, passed between people, and it is necessary to review the different stages. Typically there is a considerable activity of trial and error before objectives, programmes, and budgets are accepted as reasonable and realistic by the different levels in an organization. These loops can occur several times over, and might involve time-consuming and perhaps frustrating meetings and revisions. When they are completed future modification is still likely as periodic reviews may see a need for amendments and sometimes a major modification, in which case the iterative process may start over.

The idea behind most strategic planning is simple. Chronologically it follows POST: Purpose, Objectives, Strategies, and Tactics. To give an example of practice, Jones (1998) explains five steps at a business unit level for Honeywell: (1) review the business foundations (to question basic assumptions to see if the vision, values, mission, and core competences of the organization continue to remain appropriate, and check behaviour against values); (2) conduct a situation analysis; (3) conduct a current condition analysis; (4) develop issues to identify the CSFs to derive action statements; (5) create strategic initiatives from the action statements, order them according to priority, and examine these against the business foundations, situation, and current conditions.

A key consideration for strategic planning is the administrative arrangements necessary to make it work. This must include the deployment of resources and budgets, time-tabling, risk assessment procedures, and risk handling. For an organization that has a planning department it is likely that the management of the process will be their responsibility. Lorange (1980) discussed the task of managing the *"evolution of the corporate planning system"* (ch. 6), especially the issue of consistency in regard to the roles belonging to the stages. He observed that while a corporate planning group might be responsible for objectives setting and strategic programmes, it is possible that a corporate controller department might have responsibility for budgeting and monitoring, and a human resource development function might have responsibilities for managerial incentives. The danger is that executives in these different areas may approach the strategic needs for system support from their own different perspectives. Another danger is a gradual overloading of the strategic planning system over time (especially as control systems seem to become more sophisticated over time).

Lorange suggested a number of checks to make sure the planning system is working properly. For example, senior management might use any of the following: (1) zero-base audits (these examine the planning system as if it were re-designed from scratch); (2) ad hoc one-shot studies by a special purpose task force; (3) a senior management in-depth audit review of some of the operating units each year outside the recurrent reviews (see Top Executive Audits) and (4) interactions that are part of the annual strategic planning cycle.

"This might give senior management an opportunity to learn more intimately about the subtleties of the particular business and give the managers of the particular business an opportunity to understand better senior management's point of view. In-

depth strategic interchanges of this kind might strengthen sensor management's insight and feel for the business, which is essential for giving the recurring annual planning process corporate reviews a sense of realism rather than aloofness. Also it might open up a more free-flowing communication within the organizational hierarchy...the corporate-divisional planning review process might too often deteriorate into an overly formalistic, intellectually unchallenging exercise, overly financially dominated... The recognition of the need for appropriately chosen and insightful top management contribution to the business plans is essential; no top-down contribution should create a feeling of animosity at the business level; artificial or shallow top-down contribution might, more than most factors, lead to the deterioration of the effectiveness of the planning system," (222).

Misunderstandings in the relationship between planning staff and other management will produce additional work, so senior management must carefully manage this relationship. Responsibilities should be clear and people's time must not be wasted. It has to be recognised that: *"strategic systems fundamentally belong to the CEO and should thus strongly reflect his management style and strategic vision – both the organization structure and the corporate planning system are part of his strategic system...stressed the need to strive for consistency among the various elements of the strategic system – thus, the planning system and organization structure must be seen in the same scope,"* (226).

To some extent it was believed in many large organizations, especially in public sector ones, that the future could be planned and controlled. However, this view has been extensively criticised. Kanter (1983) suggested *"most organizations have attempted to deal with forthcoming change and with environmental contingencies by ever more elaborate mechanisms for strategic planning - essentially designed to help organizations feel in control of their futures. There will always be a need for this, of course, but the balance between planning - which reduces the need for effective reaction - and structural flexibility - which increases the capacity for effective reaction - leads to a shift toward the latter. The era of strategic planning (control) may be over; we are entering an era of tactical planning (response),"* (41). The emphasis is less now on strategically planning a future, than on planning as part of an organization's capability to be adaptive or even agile. The downsizing in the 1990s of many organizations saw a contraction in head office corporate planning generally, and the strategic planning process became more devolved and focused at a business unit level, where it is typically centred on shorter time horizons. Of course, management ideas and fashions develop over time.

Ocasio & Joseph (2008) give an account of strategic planning at General Electric since 1940, and conclude that *"the practice of strategic planning cannot remain static but must evolve to facilitate changes in corporate agenda and management style,"* (248). Specifically, they stated: *"CEOs should adapt the design of strategic planning systems to reflect their own strategic agenda and management style. CEO commitment to strategic planning is required for its centrality in strategy formulation and implementation, and this commitment requires the CEO to have direct involvement in the design of the system. At GE, each CEO actively engaged in transforming the design of the strategic planning system to meet their own priorities and to reflect their own experience, management style and background, as well as the changing market and institutional environments. For example, Jones' financial*

orientation and more detached management style were facilitated by the adoption of a hierarchical system of SBUs and Sectors. Welch transformed the GE's strategic planning system to reflect his operational orientation and cost-cutting agenda, eliminating the SBUs and Sectors and incorporating Crotonville into his agenda management system. Immelt's addition of the Commercial Council reflects his focus on organic growth through product and market development. These examples indicate that no single form of strategic planning system can serve all corporate agendas and orientations and CEOs should adapt the design of the planning system to meet their vision and agenda for the corporation," (269).

In his text, *The Rise and Fall of Strategic Planning,* Mintzberg (1994) argued there are three fundamental fallacies in strategic planning. The first is predetermination, that planners can predict accurately, which leads to a false sense of security. The second is detachment, the claim that professionals can be objective and offer perspective, but really this distances planners from the market and the customer and creates indifference to products. Thirdly, there is the fallacy of formalization, a belief that innovation and difference are generated by analysis and structure, which squeezes out passion and intuition. Organizations *"engage in formal planning, not to create strategies but to program the strategies they already have, that is, to elaborate and operationalise their consequences formally,"* (1994: 333). He argued that the role for strategic planning is to help translate intended strategies into realised ones. Citing a supermarket chain, he wrote *"planning did not give this company an intended strategy. It already had one, in the head of its entrepreneur, as his vision of its future…Rather, planning was the articulation, justification, and elaboration of the intended strategy the company already had. Planning for it was not deciding to expand into shopping centres, but what schedule, etc. In other words, planning was programming: it was used not to conceive an intended strategy, but to elaborate the consequences of an intended strategy already conceived,"* (Mintzberg, 1981: 322).

As Beinhocker & Kaplan (2007) observed *"A key starting point is the acceptance of the counterintuitive notion that the strategic-planning process should not be designed to make strategy."* Rather a formal planning process is to 'prepare minds', to make sure decision makers have a good understanding of the business, its strategy, and the assumptions behind that strategy (see strategic review), making it possible for executives to respond quickly to opportunities and challenges as they occur in real time. It can also be used to increase the innovativeness of a company's strategies to open up the organization to new thinking.

A related form of strategic planning is corporate planning: [The] *"origins of contemporary corporate planning came in part as a reaction against excessive financial bias. The great pioneer of corporate planning was General Electric, under the leadership of chief executive Fred Borsch during the 1960s and early 1970s (Pascale, 1990). A marketer in a company previously dominated by finance, Borsch felt the need for a new approach to managing the vast, diversified and stagnant conglomerate that General Electric had become. During his office, General Electric collaborated with the McKinsey Consulting Group to develop the industry attractiveness-business strength matrix (the General Electric Screen), with the Boston Consulting Group to work on the experience curve, and with the Harvard Business School to establish PIMS (Profit Impact Market Strategy) analysis. By the early 1970s, these approaches were implemented and coordinated by a large central*

corporate planning department, the prototype of those which spread throughout western business during the decade. Borsch's successor, Reginald Jones, allowed central planning to grow to over 200 professional staff... Pascale (1990: 1191) relates how computers were spewing out daily reports twelve feet high on individual businesses," (Whittington, 2001: 66). GE had not solved its slow growth problems and when hit by a recession in the early 1980s, a new chief executive, Jack Welch, downsized the corporation and drastically reduced the corporate planning system.

Wilson (1994) identified seven deadly sins for strategic planning: (1) planning staffs are allowed to take over, marginalising those who carry out the plans; (2) the planning process itself becomes dominant at the expense of its purpose; (3) planning is ritualised with participants simply going through the motions; (4) senior management are over-focused on M&A activity, neglecting core business development; (5) planning becomes too conservative and biased so that it lacks a basis for real strategic choice; (6) plans neglect organizational and cultural needs; (7) too much reliance on single-point forecasting when change is uncertain. Quite often 'planning' consists of poorly connected laundry lists of projects, often without regard to the trade-offs that might be involved. Gross (1968) wrote of 'planner problems': (1) planning specialists become detached from operations (the planning department may serve as little more than a symbolic substitute for long-range planning or a rationalization for the failure to develop long-term plans (Banfield, 1952); (2) when planners attempt to come to grips with realities they meet serious resistance from line administrators; (3) the planning processes become sophisticated and a variety of plans start developing. Many planning offices, however, are merely fact-gathering or fact analysing units parading under a more honorific title.

Lorange (1980) observed *"many a company has prospered without a formal corporate planning system because of intuitively sound strategic decision making by the 'old salt' senior management of the company. Similarly, a good planning system cannot substitute for the lack of strategic savvy on the part of management,"* (9). Of course, strategic planning in practice is usually much more in its effects than a prescription for the future. For example, in the context of strategy execution: *"A good strategic plan is a set of directions you want to take. It's a roadmap, lightly filled in, so that it gives you plenty of room to manoeuvre. You get specific when you're deciding the action part of the plan, where you link it with people and operations. To be effective, a strategy has to be constructed and owned by those who will execute it, namely the line people. Staff people can help by collecting data and using analytical tools, but the business leaders must be in charge of developing the substance of the strategic plan...A good strategy process is one of the best devices to teach people about execution. It makes the mind better at detecting change; pieces of paper don't do that. People learn about the business and the external environment – not just data and facts, but how to analyse it and use judgement. How is the plan put together? How is it synchronised? They discover insights, and develop their judgements and intuition. They learn from their mistakes: 'Why, when we made our assumptions, did we not see the changes that overtook us?' Discussing these things creates excitement and alignment. In turn, the energy that these discussions build strengthens the process,"* (Bossidy & Charan, 2002: 185-186).

Many checklists have been published to guide strategic planning; see especially the criteria for best practice strategic planning used for Baldrige (performance excellence

models). Lorange & Vancil (1977) proposed five pillars for success: (1) planning systems that formulate strategic choice; (2) plans that are understood at all levels, that facilitate a communication of opinion, interactions and iterations; (3) plans use consistent formats, methods and deadlines, so that confusion in planning reviews and consolidations is minimised; (4) the planning system is integrated with other management systems, and (5) line managers are centrally involved in planning to ensure the necessary commitment to carry out the planning decisions. The Bain and Company annual surveys of management tools, suggests strategic planning has been the most used tool (89% in 2003, compared with 81% in 1999, and 86% in 1993, see Rigby 2001, 2003). *"Strategic planning has consistently been rated...by nearly all the managers in all industries and company sizes – even when management gurus and journalists have declared it dead (witness business thinker Tom Peter's 1994 review of Henry Mintzberg's book 'The Rise and Fall of Strategic Planning'). In fact, practitioners usually say that strategic planning is their most frequently utilized and highly satisfying management technique. One of our survey participants commented, 'It's so easy to get absorbed in daily operating urgencies that we need the strategy process to challenge traditional thinking and redirect where we spend our time and money'..",* (Rigby & Bilodeau, 2007: 20-21).

An on-line survey of nearly 800 executives, in organizations of at least $500m revenues, indicates that three-quarters have formal strategic planning systems (whatever this means), and more than half of respondents think the systems play a significant role in developing corporate strategy (McKinsey, 2006). A similar number think the important strategic decisions are made by a small group of senior managers, but that the role of a strategic-planning group is also influential (internal consulting is also a priority for these groups). Richard Rumelt was asked by McKinsey, about what advice he would give, and he argued that: *"Most corporate strategic plans have little to do with strategy. They are simply three-year or five-year rolling resource budgets and some sort of market share projection. Calling this strategic planning creates false expectations that the exercise will somehow produce a coherent strategy. Look, plans are essential management tools. Take, for example, a rapidly growing retail chain, which needs a plan to guide property acquisition, construction, training, et cetera. This plan coordinates the deployment of resources – but it's not strategy. These resource budgets simply cannot deliver what senior managers want: a pathway to substantially higher performance. There are only two ways to get that. One, you can invest your way to success. Unfortunately, you can't count on that. The second path is to exploit some change in your environment – in technology, consumer tastes, laws, resource prices, or competitive behaviour – and ride that change with quickness and skill. This second path is how most successful companies make it. Changes, however, don't come along in nice annual packages, so the need for strategy work is episodic, not necessarily annual. Now, lots of people think the solution to the strategic-planning problem is to inject more strategy into the annual process. But I disagree. I think the annual rolling resource plan budget should be separate from strategy work. So my basic recommendation is to do two things: avoid the label 'strategic plan' – call those budgets 'long-term resource plans' – and start a separate non-annual, opportunity driven process for strategy work,"* (Lovallo & Mendonca, 2007).

"Steiner & Schollhammer (1978) found planning to be most common and most formalized in the USA, following closely by England, Canada and Australia, with

Japan and Italy at the other end of the scale. Hayashi (1978: 221-222) found in Japanese companies a 'lack of planning' and 'they distrusted corporate planning in general', whilst Ohmae (1982: 224) found them 'less planned, less rigid, but more vision- and mission-driven than western organizations'," (Carr, 2005: 1179). It is possible with globalization that strategic planning is now more widespread than it was in some countries (see 'productivity'). In Japanese multinationals, planning is basic to organizational effectiveness, but Porter (1996) suggested this is not strategic planning based on competitive difference, but best practice.

strategic planning versus strategic management
Planning and management are different things. The former is part of the latter. To manage something, you have to have a plan (or specification, design, objectives to work to). What is a <u>strategic</u> plan? This is a longer-term plan that senior level management uses to work out how it is going to plan out its overall approach to achieve its longer-term purpose. One reason for having a plan is that you should stick to it. However, plans must be implemented, and it is likely that future conditions will change; both of these call for modifications to any strategic plan as time goes by. So plans must be working documents and responsive to the need for change. Some observers, such as emergent theorists, seem to suggest that although some planning is always necessary (such as annual planning), longer-term strategic planning is too difficult and probably undesirable. However, the major issue is probably really about <u>how</u> top-level management should strategically manage. Certainly for large organizations it is difficult to imagine how this can be done without longer-term planning. The question seems really to boil down to the question of <u>what</u> form of strategic planning: the current consensus is that strategic planning should be tight enough to set direction and overall priorities, but loose enough to facilitate organization-wide learning and local initiative. It is probably true, however, that senior managers do not involve themselves closely enough with the daily management in ways that enable them to understand strategic issues at an operational level. This is a primary reason for the non-implementation of top-level goals at daily management level.

strategic platform (see platform, global-level strategy, Internet)
A strategic platform is a basic design or technological system that provides opportunities for the provision of adapted and complementary products and services**.**

strategic portfolio analysis (see diversification)
This is the comparison of an organization's prospects and/or performance in different business areas to establish priorities and allocate strategic resources between the parts of the organization in these areas. (Within marketing this is sometimes called market attractiveness-competitive position analysis.) The most well known technique is the Boston Consulting Group Market Growth-Share Matrix or the 'Boston box' (see Henderson, 1970, 1976ab). It is used to identify businesses/product types by market share (as an indicator of an organization's ability to compete) and market growth (an indicator of a market's attractiveness). The idea is that an organization should treat products/businesses in an analogous fashion to a portfolio of investments (the approach is sometimes referred to generically as strategic portfolio management). So the organization might hold a balance of products/businesses that are in different stages of competitive power and growth with different investment needs, so businesses/markets are categorised into: (1) Stars, businesses/activities with high

growth and share, usually can generate enough cash for needs; (2) Question marks, high growth, low share; requires cash injections; possibly promising, but risky; (3) Cash cows, low growth, but high share, generates cash for transfers because cash needs are minimal; (4) Dogs, low growth and share, may require some cash injection, but no prospects, thus rundown/sell

Typically a large divisional corporation will have products/businesses in all these areas. So its overall corporate strategy will need to balance the different needs, but in the interest of the corporate entity as a whole. This could suggest, e.g. milking cash cows (businesses usually associated with mature markets) to raise money for investment in question marks to develop new businesses in the markets of tomorrow; encouraging star businesses to build up and sustain leadership positions, while selling off or running down dog businesses (it may be difficult for senior management to terminate a business that has previously important to building up the original enterprise).

The Boston box inspired many similar ideas, notably the McKinsey & Company's Multi-Factor Analysis. The most well known version of this is the Nine-Cell Industry Attractiveness-Competitive Strength Matrix associated with GE, when it is sometimes called 'The General Electric Screen' (Haberberg & Rieple, 2001: 363-365). This is more comprehensive, so in the instance of its nine-cell version, 'market share' is broadened into 'competitive strength/business position' as this covers more in terms of the ability to compete, and 'market growth' is similarly broadened into 'long-term industry attractiveness', which potentially includes all those things that make an industry/market attractive. Factors that might affect market attractiveness: market size, market growth rate, market profitability, pricing trends, competitive intensity/rivalry, overall risk of return to the industry, entry barriers, opportunity to differentiate products and services, demand variability, segmentation, distribution structure, technology development. Factors that might affect competitive strength: strength of assets and competences, relative brand strength (marketing), market share, share growth, customer loyalty, relative cost position (cost structure compared to competitors), relative profit margins (compared to rivals), distribution strength and production capacity, record of technological or other innovation, quality, access to financial and other investment resources, management strength. The size of circle/pies plotted on the matrix represents market size; the size of the pie segment represents the market share of the SBU, and the arrows represent the expected direction and movement of a SBU in the future. The implementation of portfolio analysis follows through stages: specify drivers of each dimension, weight drivers to their relative importance, score SBUs each driver, multiply the weights times scores for each SBU, view resulting graph and interpret it, perform review/sensitivity analysis using adjusted weights and scores.

Strategic portfolio analysis is useful for M-form organization and SBUs, when the SBUs of a large corporation are designed to stand alone, typically based on particular technologies, industries and markets. SBUs have a strong degree of strategic independence within a corporate group, with perhaps different generic strategies, corporate cultures and core competences; this makes them easy to manage as a portfolio, since individual SBUs can be added and divested without any significant knock-on effects for the other SBUs in the portfolio. Some diversified corporations have transformed themselves by moving from one industry to another. *In the late*

1980s Whitbread was a successful UK brewing company with developing interests in restaurants and hotels. By 2004 Whitbread was no longer a brewing business at all: it brewed no beer and owned no pubs. It had moved into leisure businesses such as David Lloyd (health clubs), Costa Coffee (cafes), Marriott and the Swallow Group (hotels)," Yip & Johnson (2007: 14-15). In the US, General Electric has moved from commodity to value enhancing businesses that has taken it into new areas such as financial services.

strategic programming (see strategic planning)

strategic resources (see resource-based view)
Strategic resources are organizational assets, or attributes, which when combined in ways that are uniquely specific to an organization, constitute its competitive advantage. Strategic resources are not economic resources, because they are valuable only to the organization that uses them and they have no external value.

strategic re-structuring (see downscoping)
This is when an organization makes fundamental changes to change its set of businesses as a whole**.**

strategic review (see review)
Strategic reviews at a daily management level are those periodic strategic reviews of progress on strategically-linked objectives at an operational level, and, in addition, annual capability reviews (such those involved with performance excellence frameworks or management audits). These reviews are different from strategy reviews, which are focused on long-term purpose, objectives and strategy. However, the strategic management literature does not typically make these distinctions.

Kaplan & Norton (1996b) note that 'strategic review' *"plays a critical role in the executive team strategic-learning process,"* (262). The meeting should bring leadership together to focus on improvement, pulling time away from maintenance and putting leadership time into improvement and learning that will build a firm's future (Koenigsaecker, 2006). However, Kaplan & Norton warn of a danger that strategic review can be too narrow. They use an example at Kenyon Stores, where these meetings were too much about operational issues, where its *"goal was to monitor performance relative to plan and to initiate short-term actions that would bring the organization back into compliance with plan…Missing was a process to learn whether organizational strategy was working and being implemented effectively,"* (1996b: 264). Taking, say, a diagnostic approach to consider strategic objectives is in fact fine, but these meetings must consider how progress on one objective is likely to have an impact on others, including longer-term ones. Linking relationships must be understood. In this, organizations should be clear about the difference between monthly operational and strategic review meetings. The whole system of multi-level review should itself be reviewed and understood by senior management. This can be done as part of the annual top executive audit, or the evaluation of performance excellence, where the review process is examined for its operational effectiveness as a core cross-functional process. While this should primarily be conducted as an executive review, it would involve others as required, as an important part of organizational learning.

The extent to which experience throws light on an <u>original</u> strategic decision is problematic, especially if this was a long-term decision made at the highest level. The original premise for a decision may be only poorly understood with hindsight. The important thing is for review to be used as part of the execution of the decision so that it provides a check on progress, and that it will be able to pick up any need for a change. Just as it is difficult to predict very far ahead, so it is difficult to look back. In this sense managing progress is more important than its initiation. In fact an emphasis should be placed on future action rather than the original decision (and who is to blame to for taking it!). Once work starts in a certain direction it can take on a momentum of its own, especially if it championed by a powerful vested interest, and it is likely to create its own reasons for its existence. Periodic review (even diagnostic review) should be evaluative, double-loop, and provide a check on basic assumptions and reasons as they now apply to present circumstances, especially as they influence the achievement of longer-term strategic objectives.

Beinhocker & Kaplan (2007) suggest that most companies have an annual cycle of strategic planning reviews that typically culminate in a presentation to the board. However, the trick, they explain, is to prevent this process from being simply 'dog-and-pony shows', but how to make them into a vehicle for effective strategy conversations: they suggest the following:

- Attendees at strategy reviews should be limited to the principal strategic decision makers (no more than ten: for example, the chief executive, head of the unit reviewing its strategy, group sector head, chief financial officer, one or two of the unit's crucial managers, head of corporate strategy), and other interested parties should be kept in the loop through other forums.

- Accept in-depth discussions of strategy; it is reasonable to spend about 20-30 days (i.e. 15-20 for business units, plus 2-5 days for sector and corporate strategy).

- The venue should be on the site of the business unit (less of a summons from head quarters, and a chief executive will get a better feeling of what is going on there).

- Should avoid combining strategy reviews with discussions of budgets and financial targets, or otherwise short-term financial issues will tend to dominate. Shorter meetings held at different times are necessary for financial targets. The two are then coupled in a rolling annual cycle (the financial plan is an input into the strategy discussion, which in turn is an input into the next financial plan).

- Executives who carry out strategy must also make it (heads of business units, other key line executives, must personally invest time in developing strategy and preparing for review.

- The corporate must give enough guidance in preparing meetings, but not too much. "*Insist on a few basics, such as an analysis of customers, competitors, and economics. At the same time, every business unit should be given plenty of latitude, for two reasons. First, each is different, and simply asking all of the business units to fill out the same strategy template is likely to obscure more than it reveals. Second, strategy reviews are a great way for the CEO to check the quality of the management team, and excessive corporate guidance makes it hard to tell the real strategists from those who are merely good at filling out templates,*" (*ibid.*).

- The run-up to the review meeting is important. It can involve dress-rehearsal preview meeting with the head of strategy to make sure business units are ready. Documents must go out at least a week before the meeting, and the chief

executive and corporate executives have an obligation to read these, ready to dive into the key issues.

- The culture and tone of the reviews are critical, and can be combative or consultative, but the sense of interference from the centre must be avoided. All the people at the meeting must feel they are sitting on the same side of the table.
- Disciplined follow-up is essential. Collect the notes of the meeting, send to participants, and connect its outcome to other critical corporate processes. *"Near-term financial goals should be linked to the strategy's long-term financial implications, for example, and talent requirements with human-resources reviews. Management compensation should be tied to success in achieving strategic goals,"* (*ibid.*).

"For the type of formal strategy review described above, success isn't measured by the number of breakthrough ideas it produces. Rather, success is more modestly measured by how well the review helps management forge a common understanding of its environment, challenges, opportunities, and economics, thus laying the groundwork for better real-time strategic decision making going forward. Unfortunately our research [30 multi-nationals] *showed that even when such calendar-driven processes are done well, they tend to produce 'in-the-box' strategies. The calendar-drive process is necessary but not sufficient, and additional actions are needed to spur strategic creativity,"* (Beinhocker & Kaplan, *ibid.*).

They suggested the following:
- Bottom-up strategic experimentation: when a company pursues a variety of strategic options in parallel within a given business, which are built around the core competences of the business and designed to test specific hypotheses about where future opportunities may be found.
- Top-down driven crosscutting themes. These concern issues larger than any corporate individual businesses, such as sudden changes in PEST factors. Identifying such issues and persuading the organization to deal with them are important ways that a chief executive and senior managers add strategic value to a company. A company may adopt a significant theme every few years (for setting challenges, mid-term plans, and hoshins). Some situations require only a few people to address a strategic issue in depth quickly, such as a merger or acquisition. These require elite task forces staffed by top performing managers temporarily pulled from their normal roles to work on issues, deliver decisions or recommendations, and disband. Other situations require larger numbers, not necessarily on a full-time basis, to engage in on-going strategic discussions. *"The common ground among various approaches is that senior corporate leaders identify issues that call for creative thinking and then deliberately disrupt the normal organizational structures in order to encourage focus and new perspectives on these issues,"* (*ibid.*).

strategic risk (risk management) (see corporate governance, credit crunch)
Strategic risk management is a systematic and overall approach for managing those external events and trends that could seriously harm an organization's effectiveness for achieving its longer-term purpose. In the sense that strategic decisions deal with uncertainty, strategy is unpredictable and is therefore risky. A key question concerns how to manage this risk.

"The role of risk management has historically been a largely peripheral one in many organizations. Focused on the prevention of physical and financial loss at an operational level, the formal consideration of risk was far removed from key decision-making. However, recent high profile corporate failures have highlighted that failure to identify and appropriately manage risk at a strategic level has a far greater potential impact on organizational fortunes than insured or tightly controlled organizational risk...this is not to say that risks weren't considered in relation to strategic decisions...but it was an informal and often unconscious decision...Many organizations have now recognised the modern business environment, characterised by an ever-increasing pace of change, necessitates a more performance-focused approach to risk management. The same approach needs to help their managers actually take more risk...It is this recognition...that has given rise to the concept of enterprise risk management (32)...the assurance requirements of the board and external stakeholders is that the business understands its risks and is actively managing them on a daily basis; the need to better integrate risk management in decision making activity at all levels...Organizations adopting enterprise risk management generally do so through the development of a risk management framework or system....to pull together all the elements required to integrate the consideration and management of risk with the everyday management of the business...The first stage is the development of a strategy [for risk] *which is supported by an appropriate structure. The delivery of the strategy is evidenced through the processes in place to generate a risk portfolio...Once risks have been identified they need to be managed, or optimised, based on willingness or capacity to accept risk. Finally, the measuring the monitoring of the risk portfolio involves the establishment of measuring criteria and management reporting,"* (Sharman & Smith, 2004: 33).

A distinction can be made between a risk appetite (the amount an organization is willing to bet in the pursuit of its objectives) and risk capacity (the amount an organization is capable of losing before it endangers its own sustainability, or market sentiment becomes irreparably damaged). A well-defined appetite for risk will influence the setting of an overall business strategy; the formal presentation of a strategy to the board should include commentary on the key risks and their acceptability in line with the agreed risk appetite. A risk management strategy should contain the following key aspects: statement on the value proposition for risk management (specific to the organization in relation to business objectives and the risk environment); definition of agreed risks; definition of the objectives for risk management based on the organizational objectives and supporting business strategy; statements on the required corporate culture and behavioural expectations with regard to risk taking; definition of organizational ownership of risk management strategy at all levels; reference to the risk management framework or system being employed to deliver the above requirements; definition of the performance criteria employed for reviewing the effectiveness of the risk management framework in delivering the risk management objectives. *"As with any element of strategy, how an organization actively targets its risk management resources to manage risk both effectively and appropriately to deliver performance should be reviewed and revised regularly in line with its overall business strategy,"* (Sharman & Smith, 2004: 36).

Compliance requirements have helped to drive the development of risk management in organizations. The US Securities and Exchange Commission (SEC) manages an

'Electronic Data Gathering, Analysis and Retrieval' system; its primary function is to increase the efficiency and fairness of the securities market by providing current information filed by public corporations. This includes risk factor statements about core business areas and strategies ('20Fs data'): for example, Asbury Automotive Group, a large automotive retailer in the US lists 26 risk factors relating to the firm's dependence on vehicle manufacturers, acquisition strategy, competition, and other types of risk. Such factors generally cover, and take into account, the basic assumptions of the business: for instance, the likely extent to which vehicle manufacturers place limits on the total number of franchises any group of affiliated dealerships may obtain, or the influence of state regulation (SEC, 2006).

strategic space (see strategic groups)
This is a gap identified in the strategic group analysis of potential gain for an organization to move into.

strategic thinking (see strategy-as-practice, consensus, strategic choice)
This is a managerial skill that enablers managers to understand the relevancy of a development (typically an external one) and/or of a proposed action, in terms of its wider, strategic implications. Writing about their research into marketing implementation in small organizations, Sashittal & Jassawalla defined strategic thinking: *"Managers are thinking strategically...when their day-to-day decisions and interactions with others reflect integrated insights into the firm's diverse and often-conflicting interests and orientations. Strategic thinkers (a) demonstrate awareness of the multiple ways in which market events are interpreted by organizational and other constituents; (b) identify more than one task implications of the emerging strategy content before making decisions; (c) evaluate possible outcomes of their decisions both in terns of the extent to which the team and other internal and external constituents will support these decisions, as well as the likely response from customers and competitors...The deployment of integrative skills appears to serve multiple functions. They ensure that managerial intents are translated into tasks and assigned to people,"* (2001: 55).

They suggested that a senior manager should move about operational areas to be sensitive to what is happening, so that strategies can be changed quickly if necessary. *"[Strategic thinking] occurs as an ongoing conversation in a way that resembles a managerial soliloquy (see Harari, 1995) and that in its absence, the strategy process becomes indistinguishable from disconnected chaos-inducing fire-fights and stopgap actions,"* (55-56).

Richard Rumelt's view is that *"Strategic thinking helps us take positions in a world that is confusing and uncertain. You can't get rid of ambiguity and uncertainty – they are the flip side of opportunity. If you want certainty and clarity, wait for others to take a position and see how they do. Then you'll know what works, but it will be too late to profit from the knowledge,"* (Lovallo & Mendona, 2007).

Hamel (1998) suggested that the goal of strategic thinking should be to create order, but not to over-design strategy. While, for example, there was a simple and overarching intent to the U.S. space programme in the 1960s, the strategies for getting a human to the moon were emergent. Crafting a strategy works only at the level of preconditions and broad parameters; not at the level of detailed design.

Typically, an executive's thinking as part of a fundamental review of strategy is an annual activity. Kaplan & Norton (2008) described the process: *"articulating the company's strategy. This usually takes place at an annual off-site meeting during which the management team either incrementally improves an existing strategy or, on occasion, introduces an entirely new one…Developing an entirely new strategy may take two sets of meetings, each lasting two to three days. At the first, executives should re-examine the company's fundamental business assumptions and its competitive environment. After some homework and research, the executives will hold the second set of meetings and decide the new strategy. Typically, the CEO, other corporate officers, heads of business and regional units, and service functional staff attend these strategy sessions. The agenda should explore the following questions: 'What business are we in and why?* (64)...*What are the key issues we face in our business?...How can we best compete?"* Kaplan & Norton (2008: 64, 66).

strategic transparency (see alignment, catchball, quality tools, review, CompStat)
Once all employees understand corporate strategy, they can establish local objectives that support it. However, 'understanding' is insufficient by itself. Managers and other employees must also buy into the corporate objectives in the sense that they agree the corporate objectives. The personal qualities, management style, and preferences of a charismatic leader, as well as vision and mission statements, and strategic management systems, as well as effective management, influence the enthusiasm of managers and other employees to align their objectives. Corporate communications underpinned by a common way of working, language, and corporate culture, are also important. Strategic transparency is especially important where strategic decisions are devolved across the organization. Bartlett & Ghoshal (1994) argued that the basic strategic need is organizational transparency. "[T]*his makes it possible for people to understand corporate objectives in ways that allow teams and individuals to control their own performances, and allows them to self-manage strategic variances that they can act to correct,"* (138). Hoshin kanri supported by a PDCA-driven TQM is a very visible strategic management system. Where TQM is working well, an individual business process will summarise on a board its progress in achieving a contribution to a particular strategic objective. The opposite of transparency is opacity. A lack of transparency can be used to suggest dynamism, where a business is growing so quickly that direction is hard to explain. Some organizations may want to mask their strategic intent for competitive reasons where transparency may enable rivals to see and so imitate or intervene in promising business areas. Opacity may, on the other hand, hide doubtful practice such as financial impropriety (McNulty, 2001).

Transparency is often linked to 'openness', but transparency does not necessarily lead to openness. It is all very well making things open to understanding, such through a clearly articulated vision, but the rub comes in everyday management. Employees may be able to see the relevance of what they do to strategy and the work of others, but are able to question, problem-solve issues, especially in other parts of the organization and at other levels of management? Communication of purpose by higher levels of an organization does not guarantee understanding in terms of the practicalities of work. Senior management may think in terms of a 'culture of openness and transparency', but this is subtly different from working in such a way, which must involve its review by senior levels (it should involve a proactive

management of the values statement as part of the strategic management process). Transparency, openness, communications, even culture, are things senior levels should manage strategically for overall effectiveness.

strategic triangle
Kenichi Ohmae (1982) argued that in the construction of any business strategy, *"three main players must be taken into account: the corporation itself, the customer, and the competition. Each of these 'strategic three C's' is a living entity with its own interests an objectives. We shall call them, collectively, the 'strategic triangle',"* (91). The matching of the needs and objectives of the corporation with those of the market must be better than the match offered by the competition.

strategizing (see strategy-as-practice)
Strategizing is an activity such as thinking about, formulating and crafting strategy to take account of reality and possibilities.

strategy (see business model, emergent view, strategic management)
Strategy is an overall approach, or a general pattern of behaviour, for achieving an organization's purpose, including its strategic objectives. In the case of organizations, strategy helps people to manage. To use strategy effectively it means that at all times managers have to understand how the parts of the organization relate to the whole, and the needs of the organization as an integrated whole. If strategy is to be useful, then it is likely that 'strategy' itself must be managed to ensure it is used properly with regard to strategic purpose and as a useful and integrated part of the strategic management process. The word, strategy, can be used as a label that describes the subject discipline of strategic management. However, strategic management, as a process of overall management, is greater than strategy (see strategic management).

'Strategy' is derived in meaning from 'strategos', a Greek word that denotes the 'art of the general'; the role of strategy is to anticipate, before the fact, a general response of the organization to the future. This enables the organization to plan and organize its activities and actions in advance. The nature of anticipation need not be entirely deliberate, but can be influenced, after the fact, by existing cultural conditions and priorities.

Johnson *et al*. (2008) defined it thus: *"Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations,"* (3). Thompson *et al.* (2005), a leading US text, defines strategy as *"the competitive moves and business approaches that managers employ to attract and please customers, compete successfully, grow the business, conduct operations, and achieve targeted objectives,"* (3). The reference to 'competitive moves' downplays its significance for non-profit making organizations.

It may be better to broaden this definition for all organizations as the overall policy an organization has, for achieving its long-term purpose. One might expect a strategy to provide an on-going point of reference for everybody in an organization, so that if functions as a whole unit to achieve its purpose effectively. However, managing strategy is not a simple top-down activity: as John Harvey-Jones, ex-CEO of ICI,

maintained - *"The difficulty with producing strategies is that you have to work from both ends at once. You need a top-down strategy produced by the top team, but this must mesh with the strategic plans being drawn up on the ground. It is only possible to produce strategies which are owned by everybody by endlessly checking what the top leadership would like to achieve against what the people on the ground believe is possible. Moreover, the strategy must be a strategy, not a directive. It must leave plenty of room for individual initiative and action on the part of the units responsible for making it happen,"* (1993: 168).

A senior team should work out its priorities and its strategy to achieve them, and work out practical examples of what this strategy might mean for the different parts of the organization on the ground. Harvey-Jones suggested that the background papers for a top team to think about its strategies should be assembled on single sheets of paper, which group no more than three or four points under, say, three key headings; these should be the major points effecting the organization's operations, say, over the next five years. Everyone can find time to read a single page, he argued, so there is no excuse not to think about what is written.

Jack Welch, ex-CEO of GE (General Electric), and one of the most consistently admired and successful international companies during the last 20 years, has argued that:

"Look, what is strategy but resource allocation? When you strip away all the noise, that's what it comes down to. Strategy means making clear-cut choices about how to compete. You cannot be everything to everybody, no matter what the size of your business or deep its pockets. Corner stores have learned that survival depends upon finding a strategic position where no one can beat them. Big companies have the same challenge." (Welch, 2005: 169).

"Our strategy was...directional. GE was going to move away from businesses that were being commoditized towards businesses that manufactured high value technology products or sold services instead of things. As part of that move, we were going to massively upgrade our human resources – our people – with relentless focus on training and development. We chose that strategy after getting hammered by the Japanese in the 1970s. They had rapidly commoditized businesses where we had reasonable margins, like TV sets and room air conditioners...Our quality, cost, and service – the weapons of a commodity business – weren't good enough in the face of their innovation and declining prices...That's why we divested businesses like TV sets, small appliances, air conditioners, and a coal company, Utah International. It is also why we invested so heavily in GE Capital, bought RCA, which included NBC; and poured resources into developing high technology products in our power, medical, aircraft engine, and locomotive businesses. Now, in such changing times, how and why did GE stick with one strategy over twenty years? The answer is that strategies, if they're headed in the right direction and are broad enough, don't really need to change all that often, especially if they are supplemented with fresh initiatives. To that end we launched four programmes to bolster our strategy – globalization, service add-ons, Six Sigma, and e-business. More than anything, though, our strategy lasted because it was based on two powerful underlying principles: commoditization is evil and people are everything. Virtually every resource allocation decision was based on those beliefs...My advice, then, is when you think strategy, think about decommoditizing. Try desperately to make products and services distinctive and customers stick to you like glue. Think about innovation,

technology, internal processes, service add-ons – what ever works to be unique. Doing that right means you can make a few mistakes and still succeed. That's enough theory!" (Welch, 2005: 170-171).

A general and overall strategy should be relatively stable over time (see stability) and help the organization to accommodate effective responses to external short-term changes and conditions. However, senior managers should at the same time be constantly open to the possibility of more fundamental change, including the need to make changes to general strategy itself and, more rarely, organizational purpose. Questions about how long a strategy should last run along the lines of how long is a piece of string. Kaplan & Norton (2008) write that in their experience strategies generally have three to five years of useful life. However, this period of time is probably more relevant to the achievement of strategic programmes, than longer-term strategy.

The use of 'strategy' varies with context and scale and the word does not always refer to general strategy. So, for example, within an organization there is a strategy hierarchy: through corporate, business, functional, team and individual strategies:-

- Corporate strategy: The overall strategy administered by the corporate centre to achieve overall purpose. This includes strategy necessary for the operating multiple businesses within the same corporate (organizational) entity. Central concerns are how to achieve synergy and how to align the individual purposes of the businesses to the overall purpose of the corporate whole, when the aim is to create more value for the corporate stakeholders from these businesses together, than if these businesses were operated independently (otherwise stakeholders would probably have more to gain by selling them off). A diversified corporation is likely to use strategic portfolio analysis to decide its best balance of businesses and markets.

- Business strategy: Made by a senior management of an individual business or unit (such as a corporate company or division). This is the strategy necessary to achieve the purpose and objectives of the unit concerned. In the case of a corporate company or division, a business strategy is likely to reflect the corporate strategy; sometimes divisions are given a lot of freedom and might decide their own generic strategy (such units are sometimes called in the management literature, strategic business units or SBUs). However, it is typically at business unit level that longer-term strategy is converted into shorter-term actions as annual policy and plans at an operational level.

- Functional strategy: Made by departments and specialised units, but within the requirements of corporate and/or business strategy. Cross-functional strategy relates to actions that require general management; typically cross-functional strategy aims ensure that departmental strategy works in a way that is aligned with the organization-wide requirements of overall strategy.

- Team and individual strategy: Made by teams and individuals in departments or across departments to achieve project and process objectives. These are typically wholly concerned with shorter-term actions and are agreed between interested parties during planning, and are often important to employee appraisals.

In strategic planning the determination of corporate strategy is the third stage of POST: where a purpose (e.g. mission, vision) is developed (translated) into strategic objectives; each one (or a limited number) will have a strategy, and each strategy will

have its own tactics (actions) (Steiner, 1979). This sequence can be applied at any level or unit: for example, a team may have its own specific purpose (vision, mission), objectives, and a strategy to achieve these objectives, as well devise a detailed plan (tactics) to manage at an operational level.

However, the POST idea, if it means the imposition by a top level of overall strategy and sub-strategies on lower levels, can be seen as an elitist view of managing (Hamel & Prahalad, 1989: 75). Whittington (2001) noted *"the characteristics of classical strategy thought:* [has] *the emphasis on the long run, the explicit and deliberate conception of goals, and the logical cascading of actions and resources from original objectives,"* (12). The classical view of strategy, in other words, see it as a deliberate top-down activity. Mintzberg & Walters (1985), on the other hand, argued that this is a narrow view, since the 'strategy' that is realised forms over time being an amalgam of deliberate (top-down) and emergent (bottom-up) strategy (see the emergent view). Mintzberg, Quinn & Ghoshal (1998) see strategy formation as a complex process that involving a mixture of non-rational and rational elements.

Thus there are different ways of thinking about strategy. Quinn (1980) and Mintzberg (1987a), for example, point out that strategy can take any of the following forms:
- A plan: consciously intended course of action to achieve an objective
- A pattern: consistent pattern of behaviour emerging deliberately but also unintentionally
- A position: in an environment relative to a rival(s)
- A perspective: a shared organization-wide sense of purpose in the world
- A ploy: a manoeuvre to achieve a particular aim (e.g. to outwit a rival)

Strategy can be intangible and hard to understand, especially when the goals are ambitious. Kieran Levis (2009), writing about Google, and the experience of Eric Schmidt when he became its new CEO in 2001, observed: *"it took Schmidt six months of talking to understand 'how broad Larry and Sergey's* [i.e. Page and Brin, the founders of Google] *vision was...I remember sitting with Larry saying, 'Tell me again what our strategy is,' and writing it down,'"* (208). The company seems to be stretching its capabilities as it *"appears to be pursuing at least four enormous goals: organizing the world's knowledge, building the biggest network of computing capacity available on the Internet, dislodging Microsoft as leader in software, and becoming a serious player in mainstream advertising. Each of these looks heroically ambitious."* (*op cit.* 211).

Mintzberg has said: *"I believe strategy is simply putting things in one's head, making sense of things in a meaningful way. When we reify strategy it suddenly becomes this Big Thing, and strategy is a sense of where you are going, what direction you and your organization are taking. Strategy in a sense is to move an organization forward, it is not this mysterious thing removed from practice. Michael Porter, but he is not the only one, tends to reify the notion of strategy. But you can do all the analysis you want; life remains rich and complicated. That is what strategy has to be about – not the neat abstractions of the executive suite, but the messy patterns of daily life and how to make sense of them,"* (de Holan & Mintzberg, 2004: 207-208). Mintzberg adds that senior management must not become disconnected from the reality of their

organizations - if this happens the senior level can *"shout down all the strategies they like; [but] they will never work,"* (*ibid.*).

The idea of strategy as a pattern is a view associated with emergent theorists, but it is also present in classical thinking, for example, Andrews (1987): *"Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities,"* (19). It is present in Herbert Simon (1976), when he noted that an organization is *"confronted with a large number of alternative behaviours, some of which are present in the consciousness and some of which are not...Decision, or choice...is the process by which one of these alternatives for each moment's behaviour is selected to be carried out. The series of such decisions which determines behaviour over some stretch of time may be called a strategy,"* (67).

The economic historian, Alfred Chandler, argued that *"The thesis that different organizational forms result from different types of growth can be stated more precisely if the planning and carrying out of such growth is considered a <u>strategy</u>, and the organization devised to administer these enlarged activities and resources, a structure. Strategy can be defined as the determination of the basic, long term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for the goals,"* (1962: 13).

Ignor H. Ansoff (1965: ch. 6) stressed the relationship between objectives and strategy; the two terms are different, and act upon each other, the strategy achieving the objective. It may be that no strategy can achieve the objective, in which case the objectives must be changed to be more realistic. Conversely, if a strategy promises more than the objective, then the objective should be raised. This idea of strategy as a means to achieve an objective is called by Hofer & Schendel (1978: 17) the 'narrow concept' of strategy, in contrast to the 'broader view' of Andrews (Learned *et al.* 1965) which includes ends (objectives) as well as the means to achieve the objectives, and Chandler (above). Ansoff (1965) noted the ideas of von Neumann & Morgenstern (1948) and the theory of games; he wrote that they gave to the concept two meanings: *"A 'pure' strategy is a move or a specific series of moves by a firm, such as a product development programme in which successive products and markets are clearly delineated. A 'grand' or 'mixed' strategy is a statistical decision rule for deciding which particular pure strategy the firm should select in a particular situation,"* (105).

Rumelt *et al* (1994) posed a (they call it an 'also ran') question: are there strategies? *"Do firms really have internally consistent sets of antecedent decisions and actions that create functional policies aimed at competing in a certain way or targeted at particular product-market goals? If so, how are these decisions and actions made? Clearly fundamental, this question cuts to the centre of the strategic management field...Most writers in strategic management presume the existence of strategies, at least in successful firms, and go on to stress the incremental or incoherent nature of most policy-making processes. Appearing under the labels 'muddling through',*

'logical incrementalism', 'emergent strategies', and the 'garbage-can' model of choice, there is a substantial literature arguing that coherent, carefully thought-out strategies are extremely rare...[there does] *"not appear to be enough systematic empirical research on the subject to generate any light,"* (531).

The form of published statements of strategy varies a lot between firms and organizations. Many of them may have more to do with external public relations for understanding the organization's activities rather than a vehicle for strategic management.

Strategy, actions, and purpose statements, should be mutually reinforcing: for example, *"It seems obvious, doesn't it, that a company's values should have to support its mission, but it's amazingly easy for that not to be the case. A disconnect between the parts of a company's framework probably is more a sin of omission than of commission, but it often happens. In the most common scenario, a company's mission and its values rupture due to a little crisis of daily life in business: A competitor moves into town and lowers prices, and so do you, underlining your mission of competing on extreme customer service. Or a downturn hits, so you cut your advertising budget, forgetting your mission is to enhance and extend your brand. These examples of disconnections may sound minor or temporary, but when left unattended, they can really hurt a company. In fact, in the worse case scenario, they can literally destroy a business,"* (Welch: 2005: 22).

Strategy-as-practice (see strategic thinking, activity based view of strategy)
This sees 'strategy' not simply as an attribute of organizations, but also as an activity undertaken by people. Practice is *"the hand-on skills of practical activity...things that people do,"* (Whittington *et al.* 2006: 617). Jarzabkowski (2005) defined strategizing in terms of practice, as *"how strategists think, talk, reflect, act, interact, emote, embellish and politicise, what tools and technologies they use,"* (3). She argued the emphasis on activities is different to one on states and characteristics, processes, and analytics. *"While...people might not be designated formally as 'strategists', their actions and interactions contribute to the strategy of an organization...*[the] *focus is thus upon how practitioners act, what work they do, with whom they interact, and what practical reasoning they apply in their own localized experience of strategy...The aim of the practice agenda is to see strategy through the eyes of the practitioner,"* (8). Strategy is developed out of the doing of detailed work. The question of what managers actually do when they manage is central, especially how at the managerial level strategists strategise, or how day-to-day activities relate to strategic outcomes. This is more detailed than a processual perspective, 'practice is what is inside the process' (Johnson *et al.* 2003; 5).

Jarzabkowski wrote that practices can be broadly categorised in three ways: (1) 'rational' administrative practices that typically serve the purpose of organising and coordinating strategy (their purpose is not necessarily rational – *"they have with some exceptions...largely disappeared off the research agenda,"* (*ibid.*); (2) 'discursive' practices that provide linguistic, cognitive and symbolic resources for interacting about strategy; (3) 'episodic' practices that create opportunities for and organize the interaction between practitioners in doing strategy, such as meetings, workshops and away days.

Whittington *et al* (*op cit.*) give workshops or management away days, strategic change projects, and symbolic artefacts, as examples of 'practices'. For example, Welch (2005) describes how General Electric has workouts: these are two or three day events held at its sites around the world, which are patterned after New England town meetings. They involve groups of 30 to 100 employees, who come together with an outside facilitator to discuss better ways of doing things, and how to eliminate some of the bureaucracy and roadblocks that are hindering work. Bosses make presentations at the beginning to lay out the rationale for the workout, and only return at the end to commit to an on-the-spot yes, or no, to 75% of the recommendations that come out of the session, and to promise to resolve the remaining 25% within 30 days.

The strategy-as-practice school is a recent perspective, but it has already attracted critics. This includes Ezzamel & Willmott (2004), who argue that the processual perspective is better for treating power and politics, such as the intersection of power politics with specific forms of knowledge, and how this shapes organizational relations and techniques. More generally, see Carter, Clegg & Kornberger (2008), who argue that the study of strategy should be opened up so that practice can be understood more widely to consider, for example, those things that are left out or left unsaid in strategy discourse. In other words, it is not enough to focus only on what is done, but research should take into consideration the possible range of strategies (or the 'strategic spaces' that exist).

strategy development (see strategic choice, emergent view of strategy)
Simply, it means the activity of choosing a strategy (see strategic choice), but it can also refer to how a strategy develops over time. According to the emergent view, a senior level's deliberate strategy changes and takes on another form over time because it is changed during its implementation and execution across the wider organization. If a senior level's strategy starts to drift away so that it no longer can effectively help the organization achieve its purpose, then 'strategy development' is really strategic drift, and it will require senior level intervention to bring strategy back on track. Strategy is typically used and modified at middle management levels to further functional and other local vested interests, so a senior level needs to constantly review its strategy to help craft it through implementation and execution.

strategy evaluation (see review)
strategy execution (see strategy implementation)
strategy formation (see emergent view of strategy, incrementalism)

strategy formulation (see strategy implementation, emergent view of strategy)
In early work, Andrews (1971), makes a distinction between strategy formulation and implementation. Strategy formulation is the choice and content of strategy and a primary responsibility of senior management, whereas its implementation is primarily the responsibility of middle and lower level management. The implication that strategic management should be a two-tier process has been much criticised, especially from the emergent view. For example, the sequence of formation first, implementation second, may assume that understanding precedes action, but people in organizations may also operate by acting, learning, and understand concurrently, so that formulation and implementation are closely intertwined. In this case strategy development is a formation process rather than one subject to formulation.

strategy implementation & execution (see strategic planning, delivery systems)
Strategy implementation is the putting in place an organization's strategy. It is carried out through an organization's structure and control systems, and the outcomes are modified during its execution by an organization's daily management and its organizational culture. Implementation is the 'plan' and execution is the 'do' part of strategy; or put another way, implementation is the conversion of a longer-term strategy into shorter-term plans, which are executed at an operational level.

Observers tend to use implementation and execution as inter-changeable terms. For instance, Thomson *et al.* (2005) used them inter-changeably, but with a tendency to use 'execution' rather than 'implementation': the *"strategy execution process...* [includes] *the following principal aspects:*

- *Selling the organization with the needed skills and expertise, consciously building and strengthening strategy-supportive competences and competitive capabilities, and organising the work effort.*
- *Developing budgets that steer ample resources into those activities critical to strategic success.*
- *Ensuring that policies and operating procedures facilitate rather than impede effective execution.*
- *Using the best-known practices to perform core business activities and pushing for continuous improvement. Organizational units have to periodically reassess how things are being done and diligently pursue useful change and improvements in how the strategy is being executed.*
- *Installing information and operating systems that enable company personnel to better carry out their strategic roles day in and day out.*
- *Motivating people to pursue the strategy objectives energetically and, if need be, modifying their duties and job behaviour to better fit the requirements of successful strategy execution.*
- *Tying rewards and incentives directly to the achievement of performance objectives and good strategy execution.*
- *Creating a company culture and work climate conducive to successful strategy implementation and execution.*
- *Exerting the internal leadership needed to drive implementation forward and keep improving strategy execution. When the organization encounters stumbling blocks or weaknesses, management has to see that they are addressed and rectified quickly.*
- *Good strategy execution involves creating strong 'fits' betweens strategy and organizational capabilities, between strategy and structure, between strategy and internal operating systems, and between strategy and organizational...culture...the stronger these fits...the higher the company's of achieving its performance targets. Furthermore, deliberately shaping the performance of core business activities around the strategy helps unite the organization,"* (38-39).

The gulf between top management strategy and awareness about what it is at lower levels has been called the implementation gap. Floyd & Wooldridge (1992b) argued this is caused by middle and operating level management *"who are either ill-informed or unsupportive of the chosen direction...*[success] *requires managers acting on a common set of strategic priorities, and achieving it depends upon on the*

level of understanding and common commitment [which is strategic consensus]*,"* (27). Kano (1993) noted two categories of strategy implementation: (1) one is effective immediately after decision making; it involves personnel, budgeting, or M&A; and (2), which is effective only with a company-wide effort such as hoshin kanri. He argued that the Japanese emphasize company-wide effort. Barney (2001: 54) observed *"some have suggested that the ability to implement strategies is itself, a resource that can be a source of sustained strategic advantage. Work on the role of corporate capabilities in implementing strategic alliance strategies...and the impact of trustworthiness on exchange opportunities for a firm...suggested that implementation depends on resources that are not themselves sources of sustained advantage but, rather, are strategic complements to the other valuable, rare, costly to imitate, and non-substitutable resources controlled by a firm."*

In their text, *Execution*, Bossidy & Charan (2002) argued that *"Many people regard execution as detailed work that's beneath the dignity of a business leader. That's wrong. To the contrary, it's a leader's most important job,"* (1). This book's key argument is that execution is a discipline integral to strategy and it must be a core element of an organization's culture. Charan & Colvin (1999) estimated that for 70% of organizations which got into financial trouble, it was not a wrong strategy that had given the problems, but the inability of the organizations to execute strategy.

A survey (McKinsey, 2006) also pointed to weak execution: *"A significant number of respondents express concern about executing strategy. Some 28% say that their company produces a strategic plan that reflects the company's goals and challenges but is not effective. Another 14% say the strategy and plans for executing it are not necessarily aligned with each other. The experiences of executives whose companies have formal processes and who are satisfied with the results... their companies have avoided these pitfalls. Among these respondents, 67% say aligning management with the strategy is an element of the strategic planning process; only 40% of dissatisfied executives say so. Similarly, 78% of those who are satisfied, compared with only 26% of those who are dissatisfied, say their process leads to explicit objectives that are communicated well throughout the company. These concerns are reflected in respondents' suggestions for improving their company's approach to strategy development. Their top two suggestions are improving the company's alignment with the strategic plan and developing a method to monitor progress against the plan...Only 56% of respondents say that their company currently tracks the execution of its strategic initiatives. Whether or not respondents are in a strategic planning group, they agree that a top priority for such groups is spending more time developing these metrics. Executives' concerns about executing and aligning strategy are likely exacerbated by a perceived lack of integration between the company's strategic planning group and its human resources group. When asked to consider strategic planning's integration with several major corporate functions, respondents rank HR as second-to-last in terms of degree of integration. Respondents who are dissatisfied with their company's strategic planning see the least integration. Of these, only 14% say planning is completely or mostly integrated with HR, and 59% say the two groups are integrated slightly or not at all,"* (3).

Many of the problems may reside in the earlier strategy formulation stage. Dan Simpson (vice-president at Clorox, where he was head of strategy and planning for 16 years) noted that *"Execution problems are often symptoms of trouble upstream in the*

strategy - development process – the strategy process has failed to realistically assess current reality, to honestly understand organizational capabilities, to align key players with those who do real work, or, at the end of the day, to create a compelling, externally driven vision of success," (Dye, 2008).

Much has been written about implementation and execution, but a large part is probably scattered across different social science and management disciplines, and this disaggregated state has masked implementation's true identity (according to Hrebeniak & Joyce, 1984). In the strategic management textbooks, implementation and execution always account for fewer chapters than strategy development. An influential conceptual distinction made originally by Anthony (1965) between strategic planning, management control, and operations, implied that strategic management is about the longer-term development of strategy rather than its shorter-term implementation and execution. Early work emphasizes structure, for the division and co-ordination of functions (Chandler, 1962; Galbraith, 1973), and organizational control systems - to provide responsibilities, standards and measurements (including budgets), as well as to give incentives and rewards (Anthony *op cit.*; Daft & Macintosh, 1984). These subjects make up the implementation chapters of textbooks. Surprisingly, the administrative aspects of business planning, especially as they concern the capability to deploy strategic objectives (e.g. MbO, see Humble, 1970), are given less consideration. The balanced scorecard has become widespread over the last decade, but the bulk of its literature is found in another management domain, performance management (measurement).

There is also reluctance from some strategy schools to recognise implementation as a distinct component of strategic management. This view from strategy-as-practice is a good example: *"the content of a firm's strategy is shaped by its process, which feeds back into the content in ongoing mutual construction. Indeed, earlier process theorists have alerted us to the relationship between process and content (Pettigrew & Whipp, 1991) and the false division of formulation and implementation, proposing that strategy is a process of 'formation' (Mintzberg, 1978),"* (Jarzabkowski, 2005: 8). This author also refers to other *"false dichotomies, such as strategic and operational"* (11). However, the idea that 'strategy' is somehow a mixed-up process, or that everybody's work contributes to strategy, is probably not very helpful, especially if it confuses the difference between longer-term and short-term theory. Strategic management is an enabler of operational performance and the two shouldn't be confused.

Jack Welch (2005), ex-GE CEO, described how to do strategy in three steps. *"Over my career, this approach worked incredibly well across varied businesses and industries, in upturns and downturns, and in competitive situations from Mexico to Japan,"* (167). The steps were (1) Come up with the big idea (he calls it the 'aha') for the business, which must be a smart, realistic, relatively fast way to gain sustainable competitive advantage; (2) put the right people in the right jobs to drive it forward; (3) relentlessly seek out the best practices to achieve your strategy forward. *"Strategy, then, is simply finding the big aha and setting a broad direction, putting the right people behind it, and then executing with an unyielding emphasis on continual improvement,"* (167). (To me, this is roughly a sequence of choice of strategy, its implementation, and execution.).

strategy map (see the balanced scorecard; for strategic maps, see strategic groups)
This is a document used to think about a scorecard's perspectives, objectives and measures, which can be used to explore possible cause-and-effect relationships and the associated CSFs.

strategy review (see strategic review)
A strategy review concerns a review specifically of longer-term purpose, objectives and strategy (this is different from a definition of strategic review, when the progress of strategically-linked objectives in daily management is reviewed).

strategy tools (see management tools)
stretch (targets, management) (see priorities)

structural break (see disruptive innovation, black swans)
A structural break is a fundamental and unpredictable event in the general environment, which is likely to require organizations to suddenly rethink their purpose and strategy.

structure (see corporate parenting, centralization)
Structure involves the organization of effort into a coherent and working entity. There are many approaches to structuring work. Some put an emphasis on collaboration, placing a premium on employees' mutual self-interest, the sharing of specialised skills, and individual knowledge. Some rely more on hierarchical authority to mobilize large numbers of people effectively. Related issues concern the benefits of centralisation versus decentralisation, and the roles of management and leadership, organizational design and change, and so on. It *"is only through organization that people can convert resources into the power to do significant things. Increasing power has been provided by the administrative revolution which has brought – and is still brining – with it more organization, larger organizations, more bureaucracy, and more administrators,"* (Gross, 1968: 141-142). Structure is the organization of effort into a business/organization. Organizational structure needs hierarchy to determine an order of responsibilities; only very small organizations can do without it. Structure can be categorised in terms of 'width' (degree to which structure is centralised or not), 'height' (number of levels of management), and 'hierarchy' (formalisation of reporting structures). A difference is sometimes made between 'local structure' (the organization of a firm within functional and distributed units), and 'strategic structures' (the organization of the total structure of a firm).

There is a danger that centralisation can put too much weight on individuals, making them too closed to new ideas. Decentralisation and devolved decision-making allows more people to participate in decisions, making them think about what should be done rather than simply being told to do it. An organization must find its own balance. *"In stationary environments diverse organizational architectures are basically equivalent (although they do differ in convergence rates), their long-term performance differs under changing environmental conditions…when the environment is changing in unpredictable ways a centralized representation of the 'state-of-the-world', together with decentralised mechanisms of coordination attaints the highest pay-offs. Conversely, more decentralised forms of information processing are consistent with a changing and more predictable environment. In sum, organizational learning has to balance centralization and decentralization.*

Decentralisation allows for variety and experimentation but it has to be pulled together by the organization. If flexibility and fine tuning are necessary, then local decentralized learning is effective, provided that the internal hierarchy is able effectively to use and integrate knowledge. On the other hand, if robust routines are required, centralisation of learning, countervailed by decentralised coordination, is highly effective. In this respect, the centralisation-decentralization dilemma also entails the recognition that there is not an optimal organizational form independent from environmental conditions and from the type of technological change...a strict divisional organisation may not be suited for systemic innovations requiring the integration of different pieces of knowledge," (Dosi & Malerba, 1996: 10-11).

"While centralisation may allow for the effective exploitation of existing competences and established knowledge, the decentralisation of activities is more effective in the autonomous development of new competences and the exploration of new opportunities. This dilemma may also be linked to another one concerning the specialization and division of labour versus flexibility and horizontal rotation within the corporation. The first allows high productivity in a specific function and a well-defined top-down organization, the other for better knowledge communication and adaptability within the corporation but possibly at a high coordination cost. Again the choice between specialization and flexibility boils down to the type of environment that firms are confronting: if the technological environment is highly predictable then the first option might be better in that it allows the attainment of a greater static efficiency by the corporation. If, on the other hand, the technological environment is turbulent and is changing rapidly, the second solution might be preferable in that it allows greater adaptability to changing conditions," Dosi & Malerba (1996: 13).

Strictly, structure is not synonymous with organizational structure such as might be specified on an organization chart. For as well as the segmentation of work into formal demarcations such as divisions, units and departments, there are also cross-functional processes, which can overlie these demarcations and are based on the direction and frequency of work. There are also informal networks of inter-personal relationships and project management.

Conventionally, structure is grouped into four types as the following figure shows: functional, product (or service), area and matrix. The lines between the boxes show the main reporting paths of the units. These structures are hierarchical, except the matrix form. Within these structures corporate management may apply cross-functional management (or structure), where the intent is to streamline hierarchy to expand organization-wide capabilities horizontally rather than by adding vertical layers. This may aim at a single company governance structure by the use of enterprise-wide standards, protocols, and values to develop effective one-company culture (see values, centralisation).
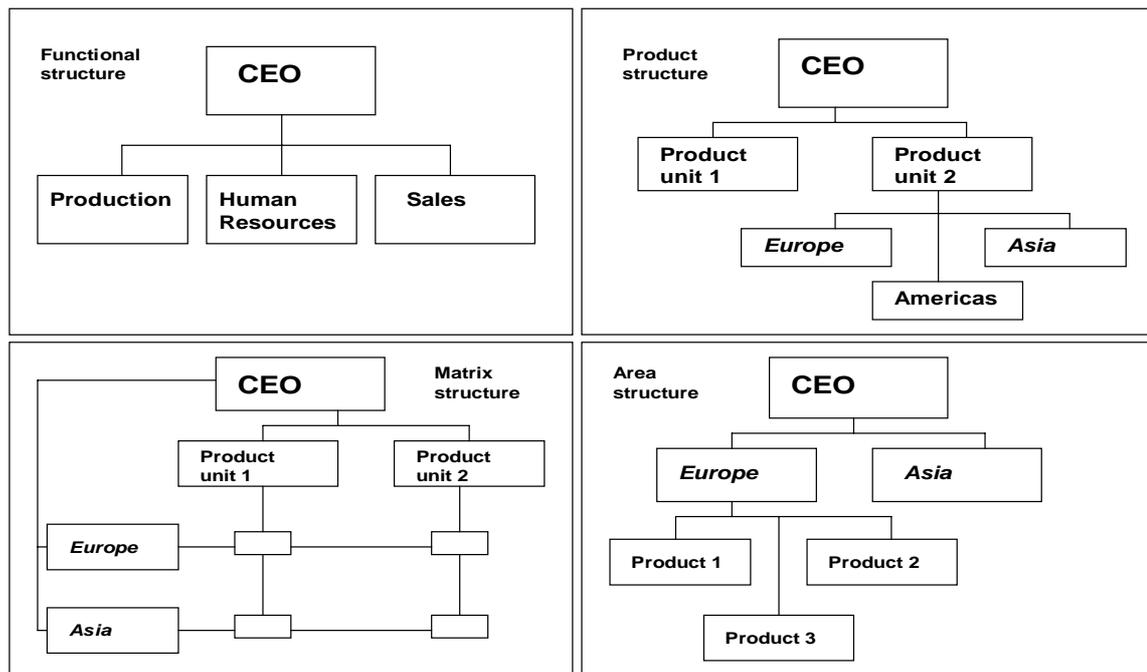
For large companies the predominant form of structure is multi-divisional (the M-form), where a corporate headquarters sits at the top of the organizational structure and below it are separate divisions based typically on product technology, and/or sales region. The use of the multi-divisional form was first articulated in the literature by the economic historian, Alfred Chandler (1962, 1977). (The M-form is sometimes seen as an 'American' archetype, and it is probably the dominant international structural form of corporatism.) Chandler argued structure should follow strategy, and that divisions were first formed by companies when increasing complexity made local rather than centralised knowledge of markets and resources necessary. Divisions will have responsibly for formulating their own strategy based on their own purpose or goals, since different markets and technologies are likely to need different business approaches. Where divisions have a strong degree of strategic independence from the corporate centre they are called strategic business units (SBUs). M-form/SBU structure facilitates management by distance, when corporate management monitors performance by aggregate financial and accounting principles, and leaves the detail of strategy formation to the divisions (see financial perspective). It also enhances the ability of corporations to more easily engage in M&A activity; this is because corporate divisions, especially if they are SBUs or corporate companies, may be taken-over or divested without too many worries about issues of integration or corporate cultural. They may be managed from the centre as a portfolio of separate businesses, especially for a conglomerate where the potential synergies are limited. The most extreme type of conglomerate is the holding company, when the corporate headquarters is very small and acts primarily as a banker, with strategy largely determined by individual divisions. (See also private equity firms.)

"All Chandler's (1962) original propositions are challenged by the Processualists. The rigid separation of strategy from operations is no longer valid in a knowledge-based age. The claim that managers can control through rational and detached analysis a wide range of businesses is scorned by those who emphasize the contextual

skills of particular industries. The tall hierarchies and strict divisions of the multidivisional are now replaced by flat organizations and 'boundaryless' networks," Whittington (2001: 107).

Harvey-Jones noted that much divisional structure is created for promotions, as in the case of South Yorkshire Police: *A more senior job carries a higher salary level, but good performance in the same job does not, therefore a sprawling hierarchy develops. I had a strong suspicion that the divisional structure was originally set up in order to provide jobs and opportunities for chief superintendents, thus promoting and motivating down the line. I have seen this happen in many organizations and, as well as the deleterious effects of long chains of command and slowness of response, more and more work is created internally and less and less effort applied externally,"* (1993: 180),

The diversified M-form of enterprise is not as popular as it was. As Chandler (1996) observes from the 1970s a wave of acquisitions in unrelated businesses weakened the effectiveness of the expanded M-form corporations, and its control systems for monitoring and coordination. This was reinforced by the questionable behaviour of asset strippers (the buying of firms cheaply, then selling off as separate parts to make quick profits); a tendency toward transaction-oriented M&A, and the rise of a new set of financial intermediaries (mutual and pension funds administered by professional managers). So during the 1980s there was a partial return to M-forms based on related rather than different businesses. This began a period of 're-focusing strategies' and downsizing, when corporations floated off marginal businesses as independent companies or contracted out large areas which were secondary or ancillary to the main value creating purpose. This involved de-mergers. ICI offered its shareholders rights issues to float two independently publicly quoted companies, ICI and Zeneca, and was partly to protect itself from Hanson Trust, a company whose strategy had been to buy under-capitalised firms to enhance their equity value and then re-sell them. Organizations are *"drawing in their boundaries around narrower spheres of activity...European firms are moving from the extremes of the single core business and a wide range of unrelated businesses toward a dominant business and a set of related businesses,"* (Pettigrew *et al.* 2000: 262, 270).

The traditional form of organization is sometimes referred to as the H-form. More recently writers have referred to N-form organization, when large organizations organise into loosely connected small or medium-sized units, or sets of collaborating (even competing) networks. This in part is a move from a static formal organising to more informal, often process-based, working that is designed around the needs of different customer groups. According to Pettigrew *et al.* (2000), there *"is now an understandable tendency to drop the noun of organization and to use the more dynamic verb of organising to try and capture the realities of continuous innovation...Organising and strategizing are now recognised as truly complementary activities even to the point where the form of organising, may be synonymous with the strategy of the firm,"* (260).

These comments were based on a large international research project, which involved researchers in Europe, USA and Japan. Pettigrew, interviewed about this work, noted a general tendency to change structure in favour of flatter, more fluid and decentralised organization. There was an especially strong development of project

structures and operational decentralisation in Europe. These were underlain by considerable process changes, notably in the development of both vertical and horizontal linkages and investment in IT to improve both intra- and inter-firm networking. These changes were significant in that they were supplementing rather supplanting existing structural forms. He observes there is no support for the thesis that firms are converging towards a single type or set of organizational practices (Starkey, 2002). The possibility that organizations should find their own form is reflected in Ghoshal & Bartlett (1997), who argued for an 'individualised corporation'.

Another loose structural form is the internal market. This is usually introduced to deal with large overheads. A large company may organization itself into profit centres and where support functions become cost centres in charge of their own overheads, and which determine their own prices for internal services and products. These centres may compete against each other and against outside competitors for their own company's business. (See internal market.)

New chief executives are sometimes hasty in making their mark by implementing structural changes through rationalisation or M&A ventures, without giving enough consideration to existing processes and routines. This may reflect a propensity to confuse structural change with strategic change; while structure is important, strategic change usually entails much more.

supply chain management (see strategic alliances, just-in-time management)
One of the early lectures given by W. E. Deming to Japanese top management emphasised: *"that the best solution to improvement of incoming materials is to make a partner of every vendor, and to work together with him on a long-term relationship of loyalty and trust…More important than price in the Japanese way of doing business is continual improvement of quality, which can only be achieved on a long-term relationship of loyalty and trust, foreign to the American way of doing business. A supplier has a duty to himself and to his customer to insist that he be the sole supplier. The sole supplier needs the whole attention of his customer, not divided attention,"* (Deming, 1986: 43).

The 'American way' until the Japanese success, anyway, was that a business should maintain a number of alternative suppliers and, providing they met the customer specification, to purchase from the cheapest source. Early on, however, Hofer & Schendel (1978) argued an analysis of internal resources should be extended to major subcontractors. It has become more important as business-wide approaches such as lean production and JIT have influenced thinking, especially with regard to operations strategy. A notion of a coordinated supply chain has been applied in such areas as competitive strategy (see Porter's value chain), and TQM (see the idea of a quality chain). A supply chain is a chain of supply of inputs from primary sources through to the end-customer. A large industrial organization will manage its supply chain so that its key suppliers, those that are core to the creation of value for its own customers, act in ways that are consistent with its strategic goals, especially with regard to quality management and logistics. Good team-working relationships with suppliers are based on mutual trust and confidence, and these take time to establish and maintain (a breakdown in relations can happen quickly and is very difficult to overcome). The role of senior management in both customer and supplier organizations is crucial in

sustaining relationships. Where customer-suppliers are close, then 'guest' customers, engineers, or buyers and representatives will spend long periods in each other's organization to work jointly on common issues, provide consultancy and advice when they are called upon to do so. Relationships are, of course, conditioned by the relative power of one of the participants. A large commercial customer may directly set standards of performance for a dependent supplier; inspecting these closely, and might impose penalties if things are wrong; a 'big brother' relationship that has sometimes been called the Marks & Spencer syndrome, as this company used to have a very close working relationship with its UK suppliers (Tse, 1985). (This relationship was largely abandoned in favour of cheap foreign imports, when M&S compromised their customer quality strategy during the 1990s: Witcher, 2003b.)

supply chains (see supply chain management)
Changes in technology have facilitated independent quick response supply chains, and meant that traditional clearing markets can be by-passed by specialist (especially global) delivery and logistics services companies (helped by the rise of brokerage agents who source specialist needs using new media such as the Internet). These low-inventory supply chains play a key role in the flexibility and resilience of modern economies. An example is the package delivery industry involving companies such as United Parcel Service, Deutsche Post, and TNT. While these have expanded into logistics services to provide a one-stop service to customers, Federal Express (FedEx) is focused on the small package and light-road-freight business: the huge costs of building and maintaining an integrated road and air transport network represents a formidable barrier to entry for potential rivals (for example, it has the world's second largest fleet of aircraft, around 700). Much of the heavier freight business concerns lower-value products that are destined for the earlier stages in the production system and is dominated by large retailers and companies, which have the leverage to squeeze margins (Ward & Roberts, 2005).

switching costs (see first mover advantage)

SWOT (strengths, weaknesses, opportunities, threats) analysis (see PESTEL)
SWOT is a mnemonic used to analyse an organization's strengths, weaknesses, opportunities and threats. It is a basic technique used to assess the strategic conditions facing a firm at a given point in time. In can used to evaluate or choose a corporate strategy. It is an idea associated with Kenneth Andrews (Learned *et al.* 1965), and involves the identification and analysis of a firm's strategic (internal value creating) strengths and weaknesses in relation to strategic (external value creating) opportunities and threats (typically linked to a PESTEL analysis). It is a useful and simple diagnostic tool, especially for situations are straightforward, but it is sometimes criticised as too simplistic (Hill & Westbrook, 1997).

synergy (see corporate synergy)

systems (see strategic control system, systems thinking)
A system is an assembly of components in an organised way that does something. Each component is affected by being in the system, and so behaviour of the system changes if a component leaves or is changed enough. The EFQM defines a management system as a *"framework of processes and procedures used to ensure that the organization can fulfil all tasks required to achieve its objectives,"* (1999).

Commonly 'system' is used to refer to documented systems, models of various kinds, and organising or management (control) frameworks. In some of the general and strategic management literature systems are seen as procedural constraints on entrepreneurial action and creativity. This is because systems are typically formal and documented codes, policies and procedures, which are the prescribed as the normal or best ways for working. This can apply to planning, where activities are detailed as a set of sequential steps intended to accomplish a specified purpose. Formal (written down) systems are particularly important to hierarchical structure, and command and control, since they enable management to specify, monitor and control performance. However, systems can be a mixture of the formal and informal, where formal guidance is specified as a framework for informal working, where people have greater control over their work. Much of the criticism of systems concerns an organizational need for simplicity in communication so that people can understand what is required of them; paradoxically, this is especially so for complex systems, when organizations must clarify essentials. Without systems it is likely that organizations would be in chaos. It is partly a question of balance – for if an organization relies too much on systems then work can seem soulless and authority insensitive to the individual. An organization can, in fact, be understood as a social system with individuals who have their own priorities, concerns, and relationships, which transcend and may or may not be compatible with the purpose of the organization or the wishes of stakeholders. This 'system' will influence an organization's internal (and perhaps even its external – if only because employees must interact with externals such as customers) environment and might have to be taken into account in the management of the organization. Deming (1986) sees sets of interlinked processes as systems, argued most problems are a result of systemic failures rather than individual behaviour.

systems thinking (see systems, learning, PDCA, scientific management)
Systems' thinking broadly likens organizations to organisms, especially the idea that problems can only be understood by looking at the whole context, rather than by examining the constituent parts. Organizations have sub-systems just as organisms do. Many have boundaries that span each other and many will have interconnected components that work together. Put another way, systems theory involves the study of living systems as integrated wholes whose emergent properties cannot be reduced to those of small sub-units. It is relationships and integration that are important, so that instead of concentrating on basic building blocks to learn about the properties of a larger system, a systems approach emphasizes basic principles of organization, how the parts are inter-related and coordinated into a unified whole. Following Teece *at al.* (1997), the idea of dynamic capabilities resembles a systems view of strategy.

"Perrow (1967) suggests that the more complex an organization is, the less knowable it is and the more deeply ambiguous is its operation. However, modern complexity theory suggests some systems with many interactions with highly differentiated parts can produce surprisingly simple, predictable behaviour, while others generate behaviour that is impossible to forecast, though they feature simple laws and few actors…normal science shows how complex effects can be understood from simple laws; chaos theory demonstrates that simple laws can have complicated, unpredictable consequences; and complexity theory describe how complex causes can produce simple effects," (Anderson, 1999: 217).

A systems view contrasts with a mechanistic one of organization that is hierarchical and prescriptive. After World War I interest grew in holism and gestalt theories. After World War II the success of wartime feedback-control devices and the development of computers saw a growth of interest in cybernetics (Ashby, 1956), and general systems theory (Forester, 1961; von Bertalanffy 1969). This was in part a scientific reaction to a fragmented acquisition of knowledge resulting from excessive specialisation. Cybernetics emphasized coordination, regulation, and control using feedback loops, while general systems theory attempted to elucidate the principles that underlay all types of systems whose components are linked by feedback loops. *"Both influenced the intellectual revolution that swept organizational theory in the 1960s and ushered in a new view of organizations as open systems (Katz & Kahn, 1966)...Catastrophe theory (Thom, 1975) explained how in some deterministic systems a small shift in a parameter could send the system to a very different equilibrium. Chaos theory explores how some dynamic systems that appear to be random are, in fact, deterministic (Thietart & Forgues, 1995),"* (Anderson, op cit., 1999: 219).

Systems thinking had an immense influence, especially in information science, on ideas about feedback and automatic control. The emphasis was originally on adaptive control, but the subject came to focus on more specialised engineering, economics, and ecological aspects. For management studies, it is conventionally a concept of control based on the idea that there is an existing reality (something that is repeating in a pattern) where actions provide (usually negative) feedback, so that it is possible to learn and adjust the actions to achieve a desired result. The PDCA approach partly rests on cybernetic (feedback and closed loop control) assumptions; although good (certainly organization-wide) process management requires an open systems based management approach. Strictly, for example, in engineering, a cybernetic system is a closed one; for strategic management, where behaviour is constantly changing and competitive forces are shifting, a more open system approach is required for control and feedback: a strategy text that takes a systems view and which discusses cybernetic approaches, see Stacey (2000), and in relation to organizational learning, see Senge (1990b).

tableau de bord (see balanced scorecard, strategic dashboard)
This is a French performance management system that dates back to the early part of the 20th century. Broadly translated it means a dashboard, a series of dials giving an overview of a machine's performance (although it usually has more information including both financial and non-financial indicators, which allows a senior level to monitor the business. There are different tables for each sub-unit, which nested, one inside the other, measure the status of a part of the business in relation to overall. The relationships of the sub-unit indicators do not take a deterministic form, but they are decided by *"causal relationships and links and the process of selection, documentation and interpretation of these indicators...all indicators, taken together, offer a model of the general functioning of the business (system) in achieving its objectives,"* (Chiapello & Lebas, 2001: 3). It is used to develop strategy, and forces units to identify its objectives, CSFs, and area of interdependence with other sub-units. Valeo, a French car component manufacturer, has required that all its organizational units report through indicators that they have negotiated and which are relevant to both corporate and unit levels on five key perspectives describing the strategy of the firm in terms of total quality, continuous progress and innovation;

supplier relations, personnel involvement, and effectiveness of the production system. Chiapello & Lebas (2001) note the technique belongs to a French management tradition that placed less emphasis on financial performance, but Epstein & Manzoni (1998) suggest that in practice financial objectives have received more attention than others. Mackay (2005) thinks the non-financials have become more important over the last 25 years as global competition has grown. Drury & El-Sishini (2005) suggest that 7% of firms use the approach to measure the performance of divisions.

tactics (see strategic planning)

Tactics is a term used to explain the procedural detail of a strategy or policy as it applies to a particular area of the business. It also covers a short time period and in this sense might be used to distinguish longer-term corporate strategy from annual departmental plans; so tactical decisions are then about how corporate objectives can be met and how strategies are implemented at an operational level. In a popular sense it often means the ploys, or immediate actions, which are undertaken to overcome a current issue. When tactics are standardised as organizational routines they become procedures.

takeover (see mergers & acquisitions)

A takeover is an acquisition that is made when the target organization has not sought the acquiring organization's bid.

targets (see objectives, KPIs, traffic lights)

In a popular sense, this means a *"mark to shoot at; a short-term goal to be achieved,"* (Watson, 1993: 262). Typically in strategic management it refers to operational objectives. Broadly there are two kinds. The first is translated from strategy (and annual policy) objectives and breakthrough change, and the second is about stretch in daily management. They are usually used as milestones or indicators of progress in the achievement of a higher level objective, and may thus are more likely than higher-level objectives to be changed or modified as work progresses, and its nature evolves (this is especially so for targets used in project work where work outcomes are often very uncertain). The principle is that while an overall objective remains relatively fixed in the shorter-term, the means of achieving it, including the shorter-term targets, should be varied to suit the prevailing circumstances.

However, targets are sometimes fixed for an operational level by higher level decision-takers without due regard to an organization's capabilities. This might result from setting targets conservatively, to maintain established ways of control and working, but more seriously, targets might reflect a desire for outcomes, which while very desirable, are in practice difficult to manage, and which may have little relevance to how people actually manage their jobs. This can result in a waste of resources and even deflect attention away from the things people ought to be doing. Massey & Pyper (2005) criticise performance management in the public sector in the UK along these lines: *"A 'tick-box mentality' evolved that negated some of the rhetorical goals of public management as the pursuit of performance indicators became routinised, turning the gaze of public servants away from their more strategic goals. The growth of inspectorates and regulators such as the Quality Assurance Agency for Higher Education, and OFSTED in schools, led professionals having to alter their activities to conform to the demands of these agencies. There is very little evidence that it improved services, but it did lead to a massive increase in the costs of*

complying," (16). In fact the UK government by 2008 had reduced its number of targets from about 1200 to 198; the expectation is that local authorities will maintain their own local targets (Seddon, 2008).

Services may have been improved in many target areas, but it remains uncertain how targets have impacted upon other less prioritised areas, and what their effects have been overall. The strategic consequences of public sector performance management are probably little understood by policy makers. *"By Blair's second term, the target culture was near maniacal. The Audit Commission league tables scored* [local] *councils by how many 'library items were issued per head of the population'. They recorded how many 'nights of respite care were supplied per 1,000 of the adult population'. They recorded what percentage of statements on special needs children were prepared per six months'. Least anyone query the answers, private auditors from KPMG were hired to audit the audit. Quangos recruited internal and external auditors to mark the Treasury's public auditors. Turnbull, then head of the civil service, was a defender of targets, deriding old guard public administrators as 'knightly professionals left to their own devices'. He felt that doctors, teachers, police chiefs and housing officers have for too long been content with a 'comfort zone' level of service. Targets, said Turnbull, had made public servants 'focus their efforts, requiring them to work more closely with others in the delivery chain'. Yet even he admitted that targets had sometimes proved too top-down, demeaning professional standards, encouraging gaming, undermining trust, distorting priorities,"* (Jenkins, 2006: 280).

Targets can have a spring clean effect, bringing urgency to the need to review capacities and capabilities, and the alignment of other goals. The investigation of root causes and influences is likely to bring about changes in other, perhaps fundamental, areas. It is like moving furniture in a room: the piece you want moved requires you to move other things around; in the end, the room looks and is quite different.

John Seddon (2008) makes a distinction between 'targets' and 'measures'. Where targets are essentially arbitrary and express a top-down aspiration, a measure is used locally to help check progress on work. *"At the heart of a system approach is a change to measures. The choice of measures is governed by the purpose of the service from the customer's point of view,"* (81).

Deming (1982) wrote that *"Goals are necessary for you and me, but numerical goals set for other people, without a road map to reach the goal, have effects opposite to the effects sought,"* (69). The setting by superiors of targets (or objectives) without an understanding of how its implementers are to carry it out, without guidelines or a trajectory, is likely to prove ineffective. Quite often targets are achieved but not in the way that those who set the targets intended. If managers do not understand the practicalities of implementation, then they are also unlikely to be able to tell if what has been achieved is really up to their expectations.

Taylorism (see scientific management)

teamwork (see integration, cross-functional management)

Team-working is more important than it was, especially for self-directed teams (where a team is responsible for the management and maintenance of a process), project working (for management of change issues), and cross-functional management (especially for hoshin kanri) when teams typically bring people together from different specialist areas hierarchical levels. The emphasis is on working flexibly, quick response, and proactivity. Teams that work in process organization and TQM may be self-directed and based around the needs of (usually internal) customers. These teams may be multi-skilled, especially where team members directly interact with external customers and where there is a need to provide customers with a comprehensive service. Team-working needs a supporting infrastructure to ensure that individuals can work together and it helps if the organization has a common language for objectives, business methodologies and philosophies. This may require not only appropriate training, but also education and empowering forms of leadership from senior managers. For example, *"Toyota became the world's best automaker on the strength of a management system that encourages leaders to empower team members to think and act on their own,"* (Magee, 2007: 175).

Effective team-working requires small sized-teams (say, under ten), a team leader who co-ordinates activities, a team facilitator that supports the needs of several teams, and a style of line and staff management consistent with a learning and facilitating form of leadership (Senge, 1990a). Team-working is not a substitute for the role of individuals in that decisions must include clear demarcations as to who does what within the team. This applies most strongly to the detailing of ownership for strategy, where an individual should takes responsibility for objective review and follow-up action. This kind of ownership is required for visibility and control concerns the control of work or task, and not of individuals. This way of team-working should replace those of scientific management, and the need for inspectors such as foremen and supervisors. The stress is less on command and control and more about cross-functional and collaborative working. There is a large literature on teams; one of the most widely cited references is by Belbin (1993), who stressed intra-team interactions and the importance of a mix of roles (organizational rather than technical) performed by individuals for the team and explicitly in the team.

Sinclair (1992) argued that a functionalist-premised obsession with 'teams' as an ideology in many workplaces, ignores factors such as emotion, power and conflict, and this ultimately hinders groups and tyrannizes individual team members. Certainly there is no guarantee, *per se*, that teams are more participative and involving, than individuals. I would stress the importance of managing teams, not just in terms of the team, but the whole system of team-working. Many firms have tried to do this through a dual role of a team leader for each team, and an external (to the team) facilitator who oversees and facilitates how teams work.

technology (see globalization, Internet)
Changes in technology continue to connect together and transform human behaviour. Learning about how to use IT in designing processes, developing and accessing knowledge continues. New developments in biotechnology, laser technology, and nanotechnology, continue. It is how these produce shifts in behaviour that is important (e.g. the Internet emails – geography matters less). The importance of knowledge intensive industries has put pressure on specialised skills and sources of

well-trained talent. The global labour market is becoming increasing integrated. The 33 million university-educated young professionals in developing countries is double that of the developed world (Davis & Stephenson, 2006).

The convergence of technology, media, and the telecommunications (TMT) industries during the '90s encouraged many to think of the large corporations as dinosaurs, and investment went into small technology start-ups, as it was felt by many that whole industries would be quickly transformed by the Internet. Then the bubble burst and many new forms disappeared. Others, however, some new firms like eBay and Amazon continued to do very well, but the big companies also did well and used the new technologies to their advantage to emerge greater than ever (Welch, 2005).

technology-push, market-pull (see innovation, Internet)
Radical innovation and change is more associated with changes in science and technology than with behavioural changes associated with existing markets, when change is pulled (generally incrementally) by customers. The market for many Internet products and services, including the market for PCs, was driven primarily by technological developments that later enabled the exploitation (and discovery) of latent customer needs. *"Amazon's innovations were Jeff Bezos's strategy and model for the business and the IT systems his colleagues developed. They also built on the innovations of those who created the Internet and the Web,"* (Levis, 2009: 218). Technology-push potentially opens up competitive white space (see blue ocean strategy) that other companies are ignoring, and offers the chance of first mover advantage (see first mover).

technology platform (see platforms)
A technology platform is a standardised technical system, over which an organization may have property rights, but it can be used by other organizations as a platform to develop their own products and services.

theories Y, X (see scientific management)

theory (see paradigm, bounded rationality)
An isolated fact, observation, is of no significance in terms of meaning. To collect facts into groups requites some kind of interpretative framework. However, before facts can be collected, it is necessary to know which are relevant. Data only becomes information when related to some prior expectation. Facts acquire meaning only when matched with theory. However, even then it is possible to observed facts with more than one pattern, and the choice of patterns will have consequences for how the world is seen and understood. Sometimes, for non-routine situations, the most critical decisions are liable to arise from circumstances that are unexpected. Thus the most critical information requirements may be those that cannot be encompassed within a theory (or programmed into a formal system). (Loasby, 1976: 95)

"Lewin's (1945) statement that 'nothing is as practical as a good theory' captures a theme that is as important today as it was in Lewin's time. Good theory is practical precisely because it advances knowledge in a scientific discipline, guides research towards crucial questions, and enlightens the profession of management," Van de Van (1989: 486). *"A theory is a statement of relations among concepts* [constructs] *within a set of boundary assumptions and constraints. It is no more than a linguistic*

device used to organise a complex empirical world...the purpose of theoretical statements is twofold: to organise (parsimoniously) and to communicate (clearly)," (Bacharach, 1989: 496).

In a broad sense, theory means simply abstractions of some reality that people use to systematically think and communicate about this reality. However, many theories fail because they ignore generally accepted rules about theoretical statements: *"Just as a collection of words does not make a sentence, a collection of constructs and variables does not necessarily make a theory,"* (Bacharach*, ibid.*). Some forms of descriptive analysis are often confused with theory. The categorisation of data, whether qualitative or quantitative, is not theory; such as might be assembled in a search for goodness of fit between empirically derived categorisations of business strategy and types of market. Many such studies may be rich and useful as grounds for theory building (for grounded theory, see Glaser & Strauss, 1967), but they constitute description rather than theory. A description is an abstraction, but it is a singular event, and to assist the theorist to derive specific propositions and/or hypotheses, it must provide insights into dynamic relations, connections, and associations, preferably in relation to an identified phenomenon within the subject that is being described.

A theory is a statement of relationships between units observed or approximated in the empirical world. 'Approximated' units mean 'constructs', *"terms which, though not observational either directly or indirectly* [e.g. centralisation, satisfaction, or culture] *may be applied or even defined on the basis of the observables,"* (Kaplan, 1964: 55). 'Observed' units mean 'variables', which are operationalised empirically by measurement: *"may be defined as an observable entity which is capable of assuming two or more values,"* (Schwab, 1980). A construct is thus a broad mental configuration of a given phenomena, while a variable is an operational (measurable) configuration derived from a construct.

Hypotheses are empirical tests of relationships between variables, where variables are being used as indicators of constructs. Propositions are statements of possible relationships between constructs. Only hypotheses are 'operational' in the sense that they can be formally stated in forms that are possible to observe and measure, to confirmed or reject, or more strictly, to falsify a possibility of a relationship. Propositions, on the other hand, are looser, although it is possible to use them as reference frameworks to guide exploratory (typically qualitative) research. (Of course, the word, 'hypothesis' is often used in a general or lay-person's way, typically to mean the question under investigation, or the research idea being used to guide the investigation.)

Theory does not have to be realistic, since it is a tool for understanding. Loasby argued that theory (he used 'model') should be 'sufficient', rather than realistic. *"A perfectly realistic model would be indistinguishable from reality, and apart from testing to destruction, what then would be its use for investigation? One uses a model precisely in order to escape from reality into something more tractable, but nevertheless useful, from which it should be possible to work back to reality. Rationality operates not on reality, but on abstractions. What is required is an abstraction that is good enough; and what is good enough depends upon the problem, or more generally, on the stage reached in the attempt to solve it. Reality, as such, is*

no adequate criterion. Thus it is much more helpful to talk of 'sufficiency' than of 'realism'. One may abstract from detail, or from externalities; one may use a mathematical model, a rule of thumb, or a practical test. What matters is that the method chosen should be sufficient for its purpose; and its acceptability can be judged only in relation to that purpose," (Loasby, 1976: 38).

This involves not just a level of abstraction in terms of scale, but also abstraction in terms of kind (nature) of the abstraction. *"Complex problems must be simplified: agendas must be restricted, the set of control variables curtailed, and questionable procedures imposed. The sufficiently of such abstractions cannot be guaranteed, yet they can hardly be designed afresh for every occasion. Similar abstractions are likely to be used for problems that are deemed similar; and definitions of similarity are often provided for us. Each academic discipline imposes its own categories on the phenomena which it claims to investigate, through a process which is neither consciously controlled nor well understood by historians or philosophers of science,"* (Loasby *op cit.* 130) (see paradigms). [Abstraction] *"requires belief: that is, willingness to accept, and build on, some ideas which cannot be conclusively established by other evidence or logic…thus some kind of belief system is essential for life, and even for that part of life which is the subject-matter of a single discipline. Nothing can be explored unless much is unquestioned; and the greater the precision of detail, the greater the need for belief,"* (26-27).

"We can reasonably be confident if we are dealing with phenomena already well understood, and consciously remaining within the limits of our understanding. In such instances, the abstraction is perhaps not very likely to yield significant new information, though it may lead to much better control. But it is the nature of knowledge that every trial in different circumstances is capable, in principle, of confuting the hypothesis under test; therefore every new use of an accepted abstraction is a test of the continued usefulness of that abstraction, and not simply a new source of information about the phenomena abstracted from", (34).

"[Some] structure must be imposed on complexity and ignorance before any investigation, let alone any decision, is possible. But the mere imposition of a structure is not enough. We must have sufficient confidence to work within it, with no more than an occasional glance over our shoulder to see what is ignored," (195). *"An isolated fact is of no significance whatever; but even to collect facts into groups requires some kind of interpretive framework. Before we can collect the relevant facts, we need to know what facts are relevant. As the most fundamental concept of information theory reminds us, data becomes information only when related to some prior expectation. Facts acquire meaning only when matched with theory…it is possible to fit observed facts into more than one pattern, and the choice of pattern may have profound consequences,"* (op cit. 95). [However] *reference standards without relevant facts are as incapable of defining problems as facts without standards. Since it is not always possible to produce whatever facts would be convenient, it may sometimes be necessary (and even sometimes worthwhile) to modify reference standards to suit those facts which are available,"* (Loasby, 104).

"No evaluation of theory is possible unless researchers first establish those broad criteria by which it is evaluated. Based on previous work (e.g. Popper, 1959; Nagel, 1961; Hempel, 1965), the two primary criteria upon which any theory may be evaluated are (a) falsifiability and (b) utility… Falsifiability determines whether a theory is constructed such that empirical refutation is possible…theories can never be

proved, only disproved...Popper (1959: 41) maintains, 'It must be possible for an empirical scientific system to be refuted by experience,'...a theory is useful if it can both explain and predict. An explanation establishes the substantial meaning of constructs, variables, and their linkages, while a prediction tests that substantive meaning by comparing it to empirical evidence," (Bacharach 1998, 500.).

Because constructs and variables are the building blocks of hypotheses and propositions, theorists must evaluate them before analysing the relational properties of theories.

The reason for a variable is to provide an operational referent for a phenomenon described at a more abstract level (e.g. a construct). To be operationally specific a variable must be defined in terms of its measurement. To be falsifiable, operational variables must be coherent: they must the tests of being a good measurement model – validity, non-continuousness, and reliability. Socially constructed notions take on different meanings in different contexts.

"It may be useful to define constructs in terms of other established and well-understood constructs. If the purpose of a proposition is to communicate the relationship between two or more constructs, then (unlike for variables) the only operational criteria which these constructs must meet is that they have good clarity and parsimony... To achieve construct validity, at the very least the responses from alternative measurements of the same construct must share variance (i.e. convergent validity) (Schwab, 1980), while the identified objects of analysis must not share attributes and must be empirically distinguishable from one another (discriminant validity). In determining convergent validity the theorist must confirm that 'evidence from different sources gathered in different ways all indicate the same or similar meaning of the construct' (Kerlinger, 1973: 463). In determining discriminant validity, the theorist must confirm that 'one can empirically differentiate the construct from other constructs that may be similar, and that one can point out what is unrelated to the construct' [ibid.]. If two independent variables have high co-linearity it is impossible to talk of their independent effects," (Bacharach *op cit.* 503, see this for the falsifiability of relationships, logical and empirical adequacy, and the utility of constructs, variables, and relationships).

"Theorists often write trivial theories because their process of theory construction is hemmed in by methodological structures that favour validation rather than usefulness...These strictures weaken theorising because they de-emphasize the contribution that imagination, representation, and selection make to the process, and they diminish the importance of alternative theorising activities such as mapping, conceptual development, and speculative thought," (Weick, 1989: 516).

A distinction is made between 'grand (sometimes called meta) theory', 'middle-range theories', and 'grounded theory'. The first relates to very general theory. This is often very highly abstracted and can involve very sophisticated research methods and techniques. While it is concerned with general understanding, much of the associated research is removed from the practical problems that, specifically, organizational members may face. (Various authors have suggested that this has caused a gulf between knowledge creation and practice: e.g. Rynes *et al.* 2001.) Much of this grand theory is not testable. *"It would be foolish to assume that on the basis of any set of*

criteria, one could determine that the insights of Marx are more or less profound than those of Weber. However, as the reading of any organizational journal will testify, most of us do not theorise on the level of Marx or Weber. To a large degree today's students of organizational behaviour are craft persons working in the context of the middle range (Merton, 1957). As such, the goal is to ensure that theoretical systems and statements can be empirically tested, and provide some source of explanation and prediction," (Bacharach, 1989: 512).

In fact, Robert Merton (1968) wrote from the perspective of sociology, and quoting Plato - *"that particulars are infinite, and the higher generalities give no sufficient direction"* – puts forward the application of 'theories of the middle range' as a way to fill the gap between grand and more specific and practical theory (ch. 2). Middle range theories are ones *"that lie between the minor but necessary working hypotheses that evolve in abundance during day-to-day research and the all-inclusive systematic efforts to develop a unified theory that will explain all the observed uniformities of social behaviour, social organization and social change"* (39). (Merton always believed that one day sociology would achieve a grand unified theory.) The practicality of middle range theories for organizational studies is stressed by Weick (1989): *"By their very nature the problems imposed on organizational theorists involve so many assumptions and such a mixture of accuracy and inaccuracy that virtually all conjectures and all selection criteria remain plausible and nothing gets rejected or highlighted...In this context the counsel to move toward theories of the middle range...make a different kind of sense...theories are solutions to problems that contain limited number of assumptions and considerable accuracy and detail in the problem specification. The scope of the problem is also of manageable size. To look for theories of the middle range is to prefigure problems in such a way that the number of opportunities to discover solutions is increased without becoming infinite,"* (521).

Grounded theory is the idea that a process of empirical research should develop theory and not be guided (biased) by pre-conceived theory. The term, grounded theory, comes from Glaser & Strauss (1967): *"our strategy of comparative analysis for generating theory puts high emphasis on theory of process; that is, theory as an ever-developing entity, not as a perfected product...Comparative analysis can be used to generate two basic kinds of theory: substantive and formal. By substantive theory, we mean that developed for a substantive, or empirical, area of sociological inquiry, such as patient care, race relations, professional education, delinquency or research organizations. By formal theory, we mean that developed for a formal, or conceptual, area of sociological inquiry, such as stigma, deviant behaviour, formal organization, socialization, status congruency, authority and power reward systems or social mobility...can shade at points into the other...*[The aim of a grounded theory approach is to] *study an area without any preconceived theory that dictates, prior to the research, 'relevancies' in concepts and hypotheses...A substantive theory generated from the data must first be formulated, in order to see which of diverse formal theories are, perhaps, applicable for furthering additional substantive formulations...Substantive theory in turn helps to generate new grounded formal theories and to reformulate previously established ones...We use the word <u>grounded</u> here to underline the point that the formal theory we are talking about must be contrasted with 'grand' theory that is generated from logical assumptions and*

speculations about the 'oughts' of social life...[the aim is to achieve a] *progressive building up from facts, through substantive to grounded formal theory,"* (ch. 1).

Grounded theory is not the same thing as Merton's middle range theory, since Merton argued that some pre-conceived or prior theory is necessary to guide investigation.

theory of constraints (see quality tools)
The theory of constraints (TOC) is put forward by Eli Goldratt (Goldratt & Cox, 2004) as a methodology for identifying and managing those things that limit a company's ability to achieve its goal. This involves 'five thinking process tools' that are used as a cycle for managing on-going improvement (Hegde, *et al.* 2004.) The ideas are linked with continuous improvement.

theory of the business (see business model, purpose)
Drucker used this term to describe the basic assumptions on which an organization has been built and is being run. The assumptions cover the environment of an organization, its specific mission, and the core competences needed to accomplish the mission. *"The assumptions about environment define what an organization is paid for. The assumptions about mission define what an organization considers to be meaningful results; in other words, the point to how it envisions itself making a difference in the economy and in the society at large. Finally, the assumptions about core competences define where an organization must excel in order to maintain leadership,"* (1997: 26-27).

The term should also explain the rationale for having SBUs within a corporate structure, rather than each of them acting as an independent entity, with its own governance structure and independent resources. The basic assumptions should be realistic, be compatible with one another, they must be known and understood throughout the whole organization, and they have to be tested constantly. Unexpected success or failure suggests that basic assumptions may be unfounded and major changes in purpose and strategy may be necessary.

theories X & Y (see scientific management)

(the) third sector (see social business)
The third sector is that part of the economy comprising voluntary enterprises and organizations, such as cooperatives and charities, and social businesses. The first and second sectors of the economy are the private and public sectors. The third sector is also sometimes referred to as the 'social economy', especially in the European Union.

TOC (see theory of constraints)
top-down management (see scientific management, business development)

top executive audit (TEA) (see performance excellence, learning, review)
A TEA is an internal audit conducted by top level management into the management of the organization's (especially operational) processes; it is mostly associated with Japanese, especially hoshin kanri practice (see the example of Nissan: Witcher, *et al.* 2006, 2007). In the West a conventional 'internal audit' is put into operation to improve management efficiency, but this principally aims to expose financial irregularities and errors, and is typically conducted by accountants and other

specialist audit staff. The top level of management is rarely involved. A TEA is broader and involves a top level or senior management team, and/or a third party external to the organization, in a review and evaluation, especially of the effectiveness of core organization-wide business processes. As part of hoshin kanri the audit often goes under names that connote the review's importance to the senior level: e.g. the President's Diagnosis and Top Shindan Audit (which translates as 'top executive audit'). Board members are involved directly as auditors (Witcher *et al.* 2006, 2007) and it provides a check (the review part of FAIR) on the annual PDCA strategic management cycle that provides feedback to help senior management to re-focus the organization for the next annual cycle.

Kondo (1988) gives a description of the approach, which he called internal audits, when explaining Japanese quality management; he wrote that its purpose is to see if action is required by top-level management on its strategy. An account of the process used at Nissan is given by Witcher *at al.* (2006, 2007). The idea is not to pass a 'quality' examination, but to stimulate mutual discussion between senior management and the people who implement top management goals to find ways and means to improve an existing situation. It is not then just to correct action. TEAs emphasize the importance of discussions based on facts. Typically a senior management team will provide an initial short report, and top-level management draws up a checklist of subjects to consider and surveys may be used of the present situation. Since annual audits can lapse into repetitiveness, some organizations will use a strategic theme or intent; say, how to double productivity in five years, or beat a competitor. The audit team takes part in plant tours and walkabouts, when employees are involved in discussions with senior managers. There are also roundtable discussions. At the end of the audit senior management recommendations are suggested and these are likely to be considered at the next audit.

"The educational character of the audit is considerable. The business audit offers the best chance for top management to grasp systematically those facts that may reflect on themselves. The employees audited are also given opportunities to examine and to rearrange their daily work. Moreover, the internal audit contributes to the improvement of mutual understanding and human relations among the employees. Such an opportunity can hardly be obtained through the daily meetings and reports," (Kondo, 1988: 35F 15-30).

A visible involvement of senior management sends messages to other employees about top level commitment to strategy and strategic objectives. This is especially true if the top managers are seen to learn in public in the presence of ordinary employees. The involvement of people at all levels also acts to reinforce motivation in regard to company-wide issues, and will help disseminate knowledge across the organization. It also makes people receptive to knowledge when it is relayed generally through organizational communication media and specialist networks. TEAs take a variety of forms in companies. The most simple is to roll up data from periodic strategic and operational reviews, and to use checklists and questionnaires such as employee and customer satisfaction surveys. Some organizations audit more frequently than a year, but usually its timing is tied into an annual planning cycle.

TEAs are very rare in western organizations. However, many companies use performance excellence models and benchmarking as a basis for business auditing.

Xerox uses a performance excellence model, which it calls its management model. This is based on the Baldrige and other performance excellence criteria (Witcher & Butterworth, 1999). Xerox involves its executives from board level in the auditing activity; however, it is more likely to involve senior managers from below board level; sometimes these come from other Xerox companies and units. The management model is an integral part of Xerox's hoshin kanri (*op cit.*). An important advantage of a performance excellence framework is that it gives an easily grasped total perspective for everyone, which makes it easier for an organization to band together and focus its capabilities on those CSFs that underpin competitive advantage. This helps to achieve an organization's overall strategic objectives, and enables top management to drive the management of key processes in a way that will improve or harnessed them for best results.

To the extent, however, that a performance excellence model brings what is really a generic and externally derived framework to the audit process, the model may be inappropriate to develop an executive understanding of its own organization's working system. *"We don't have enough knowledge of our organization...*[in the future] *decision-making is going to be integrated with work, so* [understanding] *starts right there. You don't do what we normally do with change...*[a senior level works it out separately] *and then launch it on* [everybody] *and then worry about resistance to change,"* (Seddon, 2002: 8).

So a senior management should use performance excellence frameworks for auditing liberally and pragmatically according to how the organization actually works, and according to organizational purpose, especially from the customer view. In a Japanese context, TEAs give a primary role to the perspective of customers; an outside-in, rather than an inside-out orientation. Teece *et al.* (1997) argued that the *"essence of a firm's competence and dynamic capabilities is...resident in the firm's organizational processes,"* (524). To understand these processes top managers have to be close enough to see those important practices that make a firm strategically unique.

"Considerable empirical evidence supports the notion that the understanding of processes, both in production and in management, is the key to process improvement. In short, an organization cannot improve that which it does not understand. Deep process understanding is often required to accomplish codification. Indeed, if knowledge is highly tacit, it indicates that underlying structures are not well understood, which limits learning because scientific and engineering principles cannot be systematically applied. Instead, learning is confined to proceeding through trial and error, and the leverage that might otherwise come from the application of scientific theory is denied," (op cit: 525-526).

TEAs may be most important for large and complex organizations, where executive understanding of daily management is difficult to maintain. Also in organizations that are typically informal, where there might be a large proportion of autonomous knowledge workers such as professional staff, senior management might anyway be more personally interactive and closer to daily management. By contrast, in a typical manufacturing firm where features of work are low autonomy, task standardization and efficiency of production, top managers would be expected to have more routinised and directive formal procedures for interacting with their organizational

community (Mintzberg, 1979). TEAs may be less useful for the former than the latter.

top management (see senior management)

total quality management (TQM) (see quality, lean working, quality & strategy)
TQM is a management-wide philosophy for improving continuously the quality of a product/service to meet and improve upon customer specifications. In Japan it is considered the management control system for the whole organization, where it is the job for everyone to control or manage quality. Writers such as Dean & Bowen (1994) and Goodman (2000) maintain that TQM is *"a set of mutually reinforcing principles, each supported by a set of practices and techniques, all of which are ultimately based on fulfilling customers' needs,"* (Dean & Bowen, 1994: 396). Its defining principles include a customer focus (see customer focused organization), and continuous improvement (see management of change). Its practices are activities that include facilitating leadership, training, self-directed, problem-solving, collecting customer data, and PDCA-based process management. Its techniques (or methods), include quality tools, and others many, such as teamwork, are associated with people-centred HRM. Probably the most important of these is customer focus, the idea that 'quality' means what the customer wants it to mean (see customer satisfaction). Philip Crosby (1979) argued that quality should mean conformance to user requirements, and that as a basic principle businesses should adopt zero defects to get user quality right first time. In the end, any extra costs associated with continuous improvement will more than pay for themselves by saved costs and improved customer satisfaction.

TQM began when Japanese quality management in the 1950s received a stimulus from lectures given by W. Edwards Deming and J. M. Juran, American quality experts brought over as a result of the post-war allied occupation. Deming first gave lectures about quality control to Japanese business leaders in 1950. Juran later on in the 1950s broadened thinking and argued quality control should be based on a total view of the whole company. In a Japanese context, control and management are fairly interchangeable terms, and most Japanese companies use the words, 'total quality control' (TQC). It was only after the success of the Japanese that Deming and Juran became well known in the West and were called 'quality gurus'.

Feigenbaum (1956) was the first to use the term 'total quality', really to mean that quality management applied to everything, including administration, marketing etc, and the label 'total' was taken up by the influential Japanese, Ishikawa (1969). In fact, TQM takes many forms, but basically it is a process approach that takes a customer-first orientation. Cole wrote of it as *"a market-in orientation in which every effort is made to internalise external customer preferences; quality as a common corporate-wide language of problem identification and problem solving; quality as a strong corporate competitive strategy; all employee involvement in quality improvements; an upstream prevention focus; a well defined problem-solving methodology; training activities tied to continuous quality improvement; integration of quality into the corporate wide system of goals, plan and actions; emphasis on cross-functional co-operation to achieve quality improvement objectives; and anticipation of customer needs sometimes even before customers are aware of them,"* (1998: 43-44).

Cole refers to a new paradigm that made organizations think about themselves in new ways (similarly, so did Grant *et al.* 1994). More singularly, Watson (1993) states that TQM is: *"A customer-focused management philosophy and strategy that seeks continuous improvement in business processes by applying analytical tools and teamwork, including the participation of all employees,"* (262). The emphasis is on process organization where inter-linked activities (typically managed by teams) form a (quality) chain of internal customers and suppliers. The principle is not to pass defects to the next process.

Business process approaches such as lean working and JIT management are based on getting the quality chain right, and use TQM as their central business philosophy. Some organizations are disciplined. For example, at Toyota, *"In manufacturing, the physical tool that links each assembly worker to the line and each Toyota line to another, whether in the United States, Japan, or elsewhere, is the andon cord. Originally from the Japanese work for 'lamp', andons are lights attached to machines or production lines that indicate operation status. The andon cord connects to the lights and runs along both sides of the assembly line. When a team member pulls one of the draping cords, activating the lights, the entire line is automatically stopped so processes remain in coordination and the problem cab be addressed. The massage workers learn early on and find continually reinforced is that finding and pointing out problems is a good thing, even though it stops the process. At many Toyota plants, like the one in Georgetown, Kentucky, andon cords \re pulled up to 5000 times a day for safety and quality reasons,"* (Magee, 2007: 75-76).

If teams are to manage their processes effectively they must be adequately trained in the use of quality tools, problem solving, and teamwork. People have to be empowered to address quality problems in their work and, if necessary, participate in quality improvement project work. This requires that senior management fully understand TQM, and that managers will ensure people can investigate issues wherever they occur in the organization. A process form of TQM requires breaking work down into manageable parts so that each process is a supplier to an internal customer(s). A process is designed around that customer's specification, and is managed so that its output consistently conforms to customer requirements. The PDCA cycle, popularised by Deming is the main principle for managing a process. The 'action' part of this cycle is especially important it's the checking of work that drives continuous improvement. Process teams must take action to bring work back to plan if a customer is not being satisfied. This may require an investigation of causal factors that lie outside the process where a problem is being experienced. In this instance it may be necessary to set up a project team to investigate causes and implement solutions. This goes beyond the idea of a stand-alone quality circle because it typically involves a great deal of collaboration and cross-function working. In fact improvement activity, while mostly about incremental change, can add up to quite substantial change. Japanese TQC uses the term kaizen (from dust, mountains are built), and may use QCDE cross-functional objectives to drive the momentum of change management (see management of change).

TQM's popularity in western countries soared during the mid-1980s to mid-1990s as the Japanese came to dominate many international markets. However, many western companies had problems, and it attracted a lot of adverse publicity, ebbing called by

many a 'management fad' with claims that most TQM failed once the novelty wore off. The Bain & Co annual world survey of management tools found that only 40% of respondents used TQM in 1999, a figure down from 73% in 1993, the high point of its adoption (Rigby, 2001). The Cole (1998) observation is probably right, that in the West, TQM was *"characterised by a bewildering mix of creative hybrids and degraded mutations. Such efforts tended to frustrate the quality zealots who railed against incomplete practices that fail to realise the true vision. The partial versions also lead scholars to dismiss the whole effort as a failed fad,"* (62).

However, more recently, the Bain survey suggested that TQM's popularity is rising again: 57% of respondents used it in 2003 (Rigby, 2003). Part of the reason could be an increased use of TQM-based business approaches such as benchmarking (rated second as the most used management tool in 2003), ISO 9000, six-sigma, and performance excellence models. There is evidence that organizations that have made a serious commitment to TQM outperform their competitors (Easton & Jarrell, 1998). A review of practice in over 500 general hospitals in the US found a positive link between TQM implementation and competitive advantage (Douglas & Judge, 2001). This study is interesting for a conclusion that TQM must take a form that balances control and exploration (where the former is concerned with incremental and the latter with innovatory organizational change (see management of change). The authors argued that (1), TQM elements (top management team involvement, quality philosophy, TQM oriented training, customer driven change, continuous improvement, management by fact, and TQM techniques or in other words, quality tools) must be operated as an integrated system, and (2), an organization needs to provide *"structural mechanisms that enable TQM techniques to be woven into its fabric, while allowing for the development and integration of new knowledge and ways to create customer value. If these things do not happen, firms may encounter a situation in which TQM doesn't add value,"* (116).

Powell (1995) in the wake of his research in the USA asked if TQM can be copied: *"TQM appears to require sweeping reforms in core organizational features, particularly leadership styles and corporate culture...innovations effecting core organizational features such as strategy, structure, and culture pose the most significant survival risks and may produce resistance to adoption even if their expected values are positive...many potential adopters would not find TQM readily imitable due to time compression diseconomies, connectedness of resources, causal ambiguity and social complexity...requires a complete restructuring of social relationships both within the firm, and among the firms and its stakeholders...*[Japanese firms like Toyota and Honda] *believed they had the necessary complementary resources,"* (1995: 20-22).

Porter (1996) saw TQM as operational effectiveness and not as real strategy. However, Powell (1995) suggested that it does has important trade-offs and associated costs for potential rivals; so that in fact TQM is difficult to copy and as such might be viewed as a competitive strategy. Cole (1998) gives a good historical account of how the quality movement developed (particularly the part played by Crosby and the agencies that were important to the extension of TQM ideas in America. Cole (1999) gives an informative account of how Hewlett-Packard took up TQM and Hoshin Planning. The success of TQM in Japan probable owes much to the way the Japanese since the 1960s have linked operational to strategic objectives

through hoshin kanri. *"Hoshin Kanri is a major pillar of TQC. It is a method that resolves problems important for the whole company that go beyond the scope of improvement activities that are carried out within the daily management of each department,"* (Koyama 1996: 194). Grant *et al.* (1994) argued TQM was a revolutionary paradigm for the western managements, which called for a radical re-think of how to manage. Witcher (1995) gives an account of the history of TQM as a sequence of different perspectives in terms of scale, from a narrow function like quality control to a notion that TQM is a management paradigm.

TQM has received interest from resource-based view theorists, especially as its associated methodologies may form, or are, organizational capabilities for the enhancement and development of competences. *"Quality-improvement and quality deployment methods, in particular, have become key tools for the cultivation of a kernel of competences. They offer a framework, a language, a systematic approach, and a set of procedures for the explication and the improvement of know-how. Root cause analysis and other such tools provide a way to evolve from rough 'heuristics' in process design to much more accurate 'scripts' which reflect a deeper and more detailed understanding of cause and effect relationships. This allows the company to constantly refine, test and validate its competence cultivation scripts and to confidently turn them into organizational routines. Short of such a process, the competence kernel of the organization remains vulnerable and under defined. Competence development tools, such as the problem-solving methodologies provided by TQM, have played a key role in the competitive responses of companies such as Ford, Motorola and Xerox to Japanese challenges. In some companies, Motorola and Xerox, for example, these tools have become the backbone of a competence mobilization and transformation process,"* Doz (1996: 161-162).

Within the quality domain itself, TQM has been limited as a strategy-linked approach because senior managers have relegated it to an operational level (see quality & strategy). Feedback mechanisms that enable an organization to learn from quality initiatives are also absent.

TPS (Toyota Production System) (see lean production)
TQC (total quality control) (see total quality management)
TQM (see total quality management)

trade-off (see competitive strategy)
This involves choosing to do one activity that involves a reduced ability to do another activity.

traffic lights (see performance management, review)
This is involves the use of symbols to flag up work that requires attention. The 'traffic light' idea is used to show where work can proceed, or held in readiness, or stopped for closer examination. If progress is satisfactory a green symbol is entered on the review sheet to indicate work should continue as before; if doubts exist, then an amber symbol may be entered to indicate that closer attention is required in case progress starts to deteriorate; if progress is under-achieving, red is used to show that follow-up action is required (it is sometimes called the RAG system). A spreadsheet may be used, for example, to indicate for each month, the progress achieved on a particular objective or measure: the cells for any month may be coloured green (on

track), orange (going off track), or red (significant at variance). The orange and red cells flag up those issues and questions that are to be investigated. Other symbols may be used when to use colour is difficult, such as black circles (attention required), white cycles (no action required), and triangles (status uncertain). A similar idea was used in the 1960s in daily management, associated with a hoshin kanri approach at Komatsu in Japan, which used flags instead of lights.

trajectories, paths of dependency (see product life cycle, core competences)
Industries and markets may develop through life cycles from at first uncertain beginnings to mature and relatively predictable states. Life-cycle theory, and similar ideas about the inter-play of innovation with market development (e.g. Abernathy & Utterback, 1978), seem to hold, if only broadly, for a variety of industries. Individual firms, according to the resource-based view, may develop along a trajectory or path of competency, when they build up and reinforce (become ever more dependent upon) certain skills and other strategic resources, a tendency that is likely to be conditioned by how a technology and the industry is developing and the history of success that a firm has had.

transactional leadership (see leadership)
Leadership centred on mission and explicit management systems, and which clarifies expectations, agreements, and utilises constructive feedback about performance.

transaction cost economics (see organizational economics)

transformational change (see management of change)
Change that is fundamental to an organization's business model.

transformational leadership (see leadership)
Leadership centred on charismatic leadership that works to associate individual self-interest with the larger vision of the organization by inspiring people with a sense of collective vision**.**

transnational strategy (see global-level strategy)
This is one of the four strategy approaches for global-level business; it is used by organizations to exploit markets in different countries by using a mixture of multi-domestic and global strategy.

trends (see PEST, consumers, globalization)
trust (see commitment)

turnaround (see values, strategic alliances)
"A firm may be said to be in 'decline' when it experiences a resource loss sufficient to compromise its viability (Cameron et al. 1987). In counterpoint, 'turnaround' may be considered to have occurred when a firm recovers adequately to resume normal operations, often defined as having survived a threat to survival and regained sustained profitability [Robbins & Pearce, 1992]…*Thus, in a turnaround situation,* [top management] *actions occur against the background of a performance crisis.…this may require…different…decisions than would be required a healthy firm,"* (Lohrke, Bedeian, & Palmer, 2004).

Nissan Motor Company, founded in 1933 as the Automobile Manufacturing Co., had great success in Japan with the Datsun (until the early 1980s the company was known as Datsun in the US). *"Nissan's domestic market share, which peaked at 34% in 1974, declined to below 19% in 1999. Nissan's global market share declined from 6.6% in 1991 to 4.9% in 1999, an eight-year period in which the company had just one profitable year...chief competitors Honda and Toyota experienced growth and profits during the 1990s. The bursting of Japan's economic bubble, which fuelled the country's post-war surge, got most of the blame. Companies like Nissan, having expanded rapidly overseas in the 1980s, were faced with large debts they couldn't pay when the bubble burst,"* (Magee, 2003: 44-45).

By 1991 it had been operating very profitability, producing four out of the top ten cars in the world, but during the Asian financial crisis in the late 1990s Nissan incurred huge debts (see keiretsu) and had to enter into an alliance with Renault (see strategic alliances). A new Nissan president and chief executive, Carlos Ghosn, was appointed who came as an outsider from Renault. He introduced a revival plan.

Staffs seemed relatively uninformed of key corporate business decisions, while top managers seemed out of touch with what policy execution issues were present at the middle and lower management levels. Ghosn realised he must work through the Japanese culture, but he brought with him three principles that he believed transcend all cultures: transparency (an organization can only be effective if followers think that what their leaders think is the same as they think); execution is 95% of the job, strategy is only 5% (organizational prosperity is tied directly to measurably improving quality, costs and customer satisfaction); communication of company direction and priorities (this is the only way to get truly unified effort and buy-in - it works even when the company is facing lay-offs).

Ghosn was the first manager to actually walk round the entire company and meet every employee in person, shaking hands and introducing himself. In addition, Ghosn initiated long discussions with several hundred managers in order to discuss their ideas for turning Nissan around. In this way the top leader was brought into contact with some of the execution issues facing middle and lower management. It sent a signal to other executives that they ought to be doing the same thing.

After completing his round with employees he did not directly use his understanding to impose a revival plan, but set up nine cross-functional teams (CFTs). He had CFTs previously used CFTs at Renault to save FFr20 billion in costs (Magee, 2003). The teams comprised ten members each, and were established within a month of his taking over at Nissan. The aim of these is to get line managers to see beyond the functional and regional boundaries that defined their direct responsibilities. The CFTs covered: business development, purchasing, manufacturing and logistics, research and development, sales and marketing, generals and administrative, finance and cost, phase-out of products and parts, complexity management, and organizational structure. The teams reviewed the firm's operations for three months and came up with recommendations for returning Nissan to profitability and ideas for future growth. They had no decision-making power as such, but instead reported to Nissan's nine-man executive committee. The ten members were drawn from middle management. Each team took a broad view, but organised sub-teams of ten to focus on specific issues. The CFTs reported to two supervisors appointed from the executive, who ensured the teams were given access to any information they needed.

The teams also included two senior members from different functional areas to balance out functional bias. There were leaders and pilots (who usually had front-line experience as managers, and drove the agenda and discussion), who picked the team members. Among other things the CFTs recommended plant closures and employee reductions. They teams remain an integral part of Nissan's management structure and are used to brief the chief executive and monitor the on-going revival plan, and try to find other areas for improvement. Working cross-functionally helps functional managers to think in new ways and challenge existing working.

In the Nissan revival plan Ghosn's main focus areas included the development of new automobiles and markets, improvement of brand image, reinvestment in R&D, and cost reduction. Five factories were closed (with the loss of 21k jobs or 14% of the workforce). This went against the Japanese lifetime employment ethos. Nissan also broke away from keiretsu investment, although customer-supplier relationships were maintained with former keiretsu partners. The sale of keiretsu investments raised billions to reduce debt. The purchasing costs from keiretsu suppliers were substantially lowered. All advisor and coordinating positions without responsibilities were abolished. A stress was placed on accurate data, they must be thoroughly checked, and costs (e.g. cycle times) were not to be reduced if they adversely affected quality and the customer experience. Cross-functional structuring was introduced around the production of single models. Clear lines of accountability and responsibilities were established. People had to personally commit to every observation or claim they made. Performance based incentives were introduced to favour achievement and promotion no longer depended on seniority. Prior to the NRP seven plants in Japan had produced cars based on 24 platforms; this was reduced to four plants based on 15 platforms.

Since 1999, Nissan has gone through two medium-term plans: the Nissan Revival plan, and the Nissan 180 programme. (the '1' represents an extra million sales; the '8'. an 8% operating profit, and the '0', representing zero automotive debt: the plan also involved increasing global market share from 4.7 to 6.1, and reducing purchasing costs by 15%). These plans were achieved, the N180 was achieved a year ahead of time. Sales and profitability are now back to record levels, and the rate of return on capital is 20%. Nissan aims to become the third largest automotive by global sales; it is fourth at the present time, behind General Motors, Toyota, and Ford. All these firms have similar goals and are expanding in the same areas. For success Nissan must rely on continuing progress in terms of new models (especially in the US mass cars market), joint ventures in areas of the world where it has a limited presence (in China it has a joint venture with Dong Feng), and to continue to improve customer excellence through operational effectiveness (see the Nissan Way) (See Millikin & Fu, 2003).

"With the completion of our NISSAN 180 plan, it would be fair to say that the revival process of Nissan is complete. In April we began to implement our current three-year plan, which we have named NISSAN Value-Up. The name of the plan shows our intent to stay on a course of sustainable, profitable growth – we intend to keep creating value in a positive way – and it is a course we can only follow in synergy with our stakeholders. An important word in the phrase 'sustainable, profitable growth' is the word 'sustainable'. At Nissan, we believe it is vital to have consistency between short-tern goals and actions and long-term strategy. It is important to

balance the growth of the business and the effectiveness of business in society. Balance does not mean compromise. Rather, keeping an effective balance requires us to stretch and adapt to changes in our business, in our environment and in the communities where we operate...goals and plans we have set for each of our five main stakeholder groups: customers, shareholders, employees, business partners and society at large...Our values never change but we recognise that management is never static. We learn about and make changes constantly as our business and the business environment evolves. For example, the Nissan V-up programme [the Nissan value-up three-year plan following the N180 plan], *a management tool used to solve problems quickly and cross-functionally, challenges us to question our practices seek opportunities and modify behaviours to align with corporate principles and objectives."* (Ghosn, 2005b).

Organizations may do more than recover by reinventing themselves. This can be done through related diversification. A good example is IBM's move from a product-based to a service provider and its provision of e-business capabilities to its customers.

typologies
A typology is the study and interpretation of types. This is popular in the management literature, and includes the influential work of Miles and Snow (1978), Mintzberg (1979), and Porter (1980, 1985). A typology is a categorical classification system that does not necessarily imply casual processes; this makes it different to a theory, which is a series of logical arguments that specifies a set of relationships among constructs and variables (Bacharach, 1989). Nevertheless, typologies can be developed as complex theoretical statements (Doty & Glick, 1994).

unfreeze-change-refreeze (see re-positioning, stability, turnaround)
The idea that people in organizations are conservative and are likely to resist change is an old one. Kurt Lewin (1958) asserted that change in an organization's corporate strategy required a three-stage process. The first required that an organization must unlearn existing strategy or reformulate its basic assumptions, to be able to change strategy. This was called unfreezing. The next stage required movement from one stable state to another, a period of uncertainty. The final stage involved refreezing, the institutionalisation of a new strategy as a new foundation (corporate culture) for the business. Unfreezing is easier during a serious crisis, when everybody is aware of a need for change. Lewin introduced forcefield analysis, where the forces that drive change are listed against those that restrain change. The influences on change can be shown relationally as a cobweb diagram, where a line of force and the relative length of the line are proportional to the strength of the force.

unrelated diversification (see diversification)
Contrasting products and services are offered in different markets and industries that have little or no similarities.

value (see lean production, value chain, values stream analysis)
Value is the satisfaction and benefits customers receive from buying and using products and services. It can also refer to the value that other stakeholders receive from the organization. Value provides a foundation for an organization's competitive advantage (although note that observers such as Porter, would argue that sustainable

competitive advantage also requires competitive difference). Customer value is central to lean production, when the importance of measuring value is at least as important as measuring cost (Neely, 1998: 56), and to Porter's concept of the value chain. Drucker (1955) maintains the creation of value is the purpose of an organization.

Value can also be defined and managed for all stakeholders not necessarily only for customers. Honeywell has defined value for four primary stakeholders. Thus: *"(1) Customers: Customer value means instant access to highly reliable, defect-free products and services that enhance their competitiveness. (2) Employees: Personal value is personal growth, recombination and rewards, and quality of work life for all. (3) Shareholders: Shareholder value is generating ever-increasing returns for all investors with the proper balance between short-term results and long-term growth. (4) Community members: Community value means sharing our capabilities and resources for the betterment of the communities in which we live and work,"* (Jones, 1998: 3). Honeywell depicts its value creation process as a four part cycle: world class workforce - best practice - customer delight - robust business performance. The cycle is driven by leadership (training and workshop experience in leadership is required for all managers, supervisors and individual team leaders). *This "value creation process is the foundation around which we communicate and align our strategic initiatives. It is understood by all employees and provides them with a fundamental template to organise and communicate local action plans that support organizational strategies,"* (4).

However, value is normally about customers and a related concept is a value proposition, which is a statement of the way an organization delivers superior value to its customers. Kaplan & Norton (2001) maintain that a clear definition of a value proposition is the most important single step in the development of a strategy map (97). This is a *"unique mix of product, price, service, relations, and image that the providers offer its customers...A clearly stated value proposition provides the ultimate target on which the strategic themes of critical internal processes and infrastructures are focused,"* (*op cit.* 86). It connects an organization's internal processes to its customers and uniqueness is necessary for sustainable competitive advantage. From the perspective of customers, the statement should make it clear why they buy from the organization rather than from another.

Treacy & Wiersema (1993, 1995) described three generic value disciplines that require different firm approaches. They argued a firm must choose and excel in one of these and act on this priority consistency, but at the same time the firm concerned must ensure that appropriate threshold standards are maintained for the other two. The three are: (1) operational excellence (excel by providing a reasonable quality at a very low price, focus on efficiency, streamlining operations, supply chain management, no-frills, volume counts – most large international corporations are working out of this discipline); (2) product leadership (strong in brand marketing and innovation, operating in dynamic markets, focus on development, design, time-to-market, high margins in a short time-frame); (3) customer intimacy (excel in customer attention and service, customised, CRM, deliver on time and above expectations, lifetime value concepts, reliability, close to customer).

The idea of social value has been proposed by Mark Moore (1995). This involves a more entrepreneurial role for public sector managers; for example, managers should be explorers of why and how the public can make use of services in a way that goes beyond the (mere) administration of policy. So a librarian with responsibility for an adult library with restrictive opening hours, realises that after school children are being sent to the library to wait for parents coming home from work. The librarian develops a proposal and wins funds to extend opening hours to accommodate the new demand, which improves local educational levels and thus raises social value.

value chain (see competitive strategy, cross-functional management)
The value chain is an organization's value creating chain of strategically-relevant resources and activities. First introduced by Porter, he noted the *"business systems concept developed by McKinsey & Company, which captured the idea that a firm is a series of functions and analysing how each is performed relative to competitors can provide useful insights. McKinsey also stresses the power of redefining the business system to gain competitive advantage, an important idea. The business system concept addresses broad functions rather than activities, however, and does not distinguish among types of activities or show how they are related. The concept is also not linked specifically to competitive advantage"* (1985: 36).

Porter stressed the importance of activities rather than functions (i.e. departments) in adding value (there is a link in this to cross-functional management). Competitive advantage comes from an organization's ability to create value for its customers. Value is translated in the model as gross revenue (the aggregated value created for customers). Net revenue minus costs is the margin received by the producer as gross profit and shown in the figure as 'margin'. Organizational activities are divided into primary and support. Primary activities add value through the transformation of inputs through the following stages:

- inbound logistics (receiving, storing, disseminating inputs)
- operations (machining, packaging, assembly, equipment, maintenance, testing, activities that transform inputs into outputs)
- outbound logistics (activities to get the finished product to customers, warehousing, order fulfilment, transportation, distribution management)
- marketing (getting buyers to purchase, channel selection, advertising, promotion, selling, pricing, retail management etc.)
- service (maintain and enhance value, customer support, repair services, installation, spare parts, upgrading etc.)

While the above activities are associated with line functions, they do extend into the activities of other departments: e.g. marketing activities can be found throughout an organization, not just in sales or market planning. Support activities add value by supporting these primary activities, and are typically staff functions (overheads), but while these also may be formally the responsibility of a dedicated department, they are typically cross-functional in orientation. Porter used the following:

- firm infrastructure (general management, planning management, legal, finance, accounting, public affairs, quality management etc)
- human resource management (recruiting, development and education, retention, compensation etc.)
- technology development (R&D, process automation, design, redesign etc)
- procurement (raw materials, servicing, spare parts, building, machines, etc.)

The model is likely to be different for different organizations, since it should be put together to provide the best insight into a particular business. Porter argued that the value chain should be used to create a 'fit' of activities with an organization's generic strategy. The relevant level for constructing a value chain is an organization's activities in a particular industry (this might include external organizations, where these constitute part of its supply chain). *"A firm may be able to draw unit boundaries more in tune with its sources of competitive advantage and provide for the appropriate types of co-ordination by relating its organizational structure to the value chain, and the linkages within it and with suppliers or channels. An organization's structure that corresponds to the value chain will improve a firm's ability to create and sustain competitive advantage...it remains an important issue in the implementation of strategy,"* (Porter, 1985: 61).

The performance of a whole system does not depend upon how its parts act independently, but on how they interact together. Managing interactions in a process is central to the role of managing. The notion of linkages is thus important as these provide a basis for competitive advantage as much as the activities themselves. *"Linkages among value activities pervade the value chain...When activities in the value chain are linked, changing the way one of them is performed can reduce the total cost of both. Deliberately raising the cost in one activity may not only lower the cost of another activity but also lower total cost* (p.76) *...Linkages can lead to uniqueness if the way one activity is performed affects the performance of the other... In a number of industries such as copiers and semiconductors, e.g. Japanese competitors have achieved dramatic reductions in defect rates by modifying every activity that influences defects instead of relying on a single value activity such as inspection.* (p.125) *...Linkages can lead to competitive advantage in two ways: optimisation and co-ordination. Linkages often reflect trade-offs among activities to achieve the same overall result* [such as higher cost in one activity reducing costs in another, as above]...*A firm must optimise such linkages reflecting its strategy in order to achieve competitive advantage. Linkages may also reflect the need to co-ordinate activities. On-time delivery, for example, may require co-ordination of activities in operations, outbound logistics, and service (e.g. installation),"* (48).

The dichotomy made in terms of support-primary activities could suggest a staff–line management dichotomy, where support functions are the concern of staff management, and the primary activities are those of line management. The growing importance of customer and process-focused forms of organization has seen a change in the nature of support functions. Many of these activities have been downsized and some have been contracted out to external organizations, while others have been integrated into primary activity. Also, there is a possible distinction between support and primary activities as enabling and outcome activities. This is where the support activities are essentially developmental and longer-term focused activities, and the primary activities are shorter-term activities primarily more concerned with business results, especially financial. Porter did not (nor did Kaplan & Norton, when they discussed the balance between lead and lagged objectives) make this sort of distinction, however.

The value chain is an idea that is taken up and used very generally, not just in strategic management, but also in operations, marketing and accounting. This

sometimes removes the strategic point of the concept. It is not *the major business functions that add value to a company's products and services"* (Seal *et al.* 2006: 774), but activities seen from the whole company perspective of its corporate strategy.

value curve (see blue ocean strategy)
value proposition (see value)

value stream analysis (VSA) or mapping (see lean production)
An approach that is used to identify and map a process or processes in terms of the flow and contribution made to customer value according to lean principles. It is a visualization tool used originally at Toyota as part of the TPS. It typically involves cross-functional mapping of processes so that the direction of work is based on the task of creating value rather than a functional approach. The idea is to identify how the links in a chain of processes can be optimised to reduce waste (or muda, which are activities and things that do not contribute to value), and to design processes and their management so that they are customer focused. The quality chain in TQM is a related idea and the ability of people to use quality tools to problem solve issues is important.

The process includes the physical mapping of the current state, but focusing on a future state, which can be used to guide kaizen activity and other lean working strategies. Waste removal as a means to drive competitive advantage was pioneered by Taiichi Ohno and Shigeo Shingo and is oriented to productivity rather than quality *per se.* It is a systematic attack on the factors that underlie poor quality and fundamental management problems. The seven common wastes in the TPS were overproduction (faster-than-necessary pace), waiting, transport, inappropriate processing, unnecessary inventory, unnecessary motion, defects (putting right mistakes).

values (values statement) (see vision, mission, corporate culture)
Values are the expected collective norms and behaviour of everybody in the organization; this may also include expectations about how people should manage and work together. If values are considered by an executive to be central to an organization's purpose and corporate strategy, then they are typically referred to as 'core values'. In terms of business excellence they have been defined as: *"The understandings and expectations that describe how the organization's people behave and upon which all business relationships are based (e.g. trust, support and truth),"* (EFQM, 1999). Starbucks Coffee Company publishes a values statement, as below:

"To establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles as we grow. The following six guiding principles (values) will help us measure the appropriateness of our decisions:
- *Provide a great work environment and treat each other with respect and dignity.*
- *Embrace diversity as an essential component in the way we do business.*
- *Apply the highest standards of excellence to the purchasing, roasting and fresh delivery*
- *of our coffee.*
- *Develop enthusiastically satisfied customers all of the time.*
- *Contribute positively to our communities and out environment.*

- *Recognise that profitability is essential to our future success."*

(www.starbucks.co.uk)

In many Japanese firms, values statements are given a pre-eminent role in strategic management. The Nissan Way outlines the philosophy of the Nissan group. In the words of Carlos Ghosn, president and CEO:

"A global corporation must be nimble in both its thinking and its actions to thrive in these highly competitive times. For that reason, the foremost tenet of the Nissan Way is cross-functionality – a way to unite all our far-flung businesses and people. Aligned with the Nissan Value-up business plan, it is our most potent management too...The easiest way to understand the concepts to look at our cross-functional teams, or CFTs. A CFT is a group of Nissan employees formed from various regions, cultures, organizations and disciplines...the interactions between these individuals often generate what we call healthy conflict...such internal conflict...produces the kind of energy and creative vision that sets a company above the rest...no single part of our business is capable of producing everything that our customers need...that is precisely why cross-functional activities are the core of every operation within Nissan.

"Another fundamental and closely related concept is stretch. Frequently a question arises that potentially affects every facet of our operations. When that happens, we have to look far and wide for a definite answer. One distinct advantage of being a global business is that we can tap into a wealth of grassroots knowledge and ways of thinking. In the process, we often gain solutions that stretch the organization in new and profitable directions...

"Nissan's strength springs from our motivated, passionate people, and we work to increase their enthusiasm in many ways. Keeping our management consistent and promoting empowerment is one of those ways. Our managers operate with strict accountability, assess progress objectively, and rapidly acknowledge superior performance. Employees readily participate in the decision-making process because they know the management structure and feel confident in expressing their own opinions and ideas. That is how true empowerment grows.

"Those are the elements of our corporate philosophy. As Nissan continues to pursue sustainable, profitable growth, our thinking will remain broad. Our ultimate goal is to become the leading automaker in brand strength, quality, profitability and performance, and we aim to do it in every country, region and product segment. The Nissan Way will continue to redefine who we are, based on the needs and desires of our customers," Ghosn (2005a: 9).

The primary purpose of a values statement is to align the organization's culture to a way of working that is compatible with overall purpose. Basic questioning of values can lead to heretical discoveries. However, in general, a firm changes them at its peril (see the idea of core ideology, in vision). Some observers see values as a basic mechanism of control, or a 'theory of the firm' (see purpose). William Ouchi (1981) argued for Japanese companies that values are embodied as a management philosophy in terms of objectives. *"These objectives represent the values of the owners, employees, customers, and government regulators. The movement toward objectives is defined by a set of beliefs about what kinds of solutions tend to work well in the industry or in the firm; such beliefs concern, for example, who should make decisions about what kinds of new products the company should make or not consider. Those who grasp the essence of this philosophy of values and beliefs (or*

ends and means) can deduce from the general statement an almost limitless number of specific rules or targets to suit changing conditions. Moreover, these specific rules or targets will be consistent between individuals. Two individuals who both understand the underlying theory will derive the same specific rule to deal with a particular situation. Thus the theory provides both control over the ways people respond to problems and co-ordination between them, so solutions will mesh with one another. This theory, implicit rather than explicit, cannot be set down completely in so many sentences. Rather the theory is communicated through a common culture shared by key managers and, to some extent, all employees" (41).

As ex-CEO of GE, Jack Welch, pointed out, *"Clarity around values and behaviours is not much good unless it is backed up. To make values really mean something, companies have to reward the people who exhibit them and 'punish' those who don't. Believe me, it will make winning easier,"* (2005: 20). Nissan and Toyota link values to how people manage, and this is audited annually as a part of the hoshin kanri system (Witcher & Chau, 2008). Tesco does something similar by using its steering wheel to review how people relate their daily management to five areas core to Tesco's purpose.

Basic values may be hard to identify, but everyone should know their influence. Jacques Nasser, CEO of Ford: *"One of my favourite stories involves our consumer research department here in Dearborn. A while back, they got it into their heads that maybe we should change the look of the front grille on the Explorer. They asked me about it, and I said no, but they were bound and determined. So one weekend, they got 100 paid people in here – provided by some focus-group company – and they had them walk around and look at 15 different grilles, each person holding a little clip board, jotting down impressions. I don't know exactly what it cost, but it was too much. And I'll tell you why. If we don't know intuitively the look that Ford customers want and expect from us, then we're dead. When it was all over, the focus group participants picked the Explorer grille. Of course they did – that grille is the Ford look at its essence and we can't go wasting time and money messing with that. There are bigger and more important battles out there. I tell this story because it demonstrates the absolute need to understand the essence of brand and consumers,"* (Wetlaufer, 1999: 84).

If an organization's values become disconnected from its vision-mission, and this is left unattended, in the opinion of Jack Welch, the resultant disconnects can literally destroy a business. *"That's how I see what happened at Arthur Andersen and Enron. Arthur Andersen was founded almost a century ago with the mission to become the most respected and trusted auditing firm in the world. It was a company that prided itself on having the courage to say no, even if the meant losing a client. It succeeded by having the most capable, highest-integrity CPAs and rewarding them for doing work that rightfully earned the confidence if corporations and regulators around the world.*
Then the boom times of the 1980s arrived, and Arthur Andersen decided it wanted to start a consulting business; that's where the excitement was, not to mention the big money. The company started hiring more MBAs and paying them the constantly escalating salaries that the consulting industry demanded. In 1989, the firm actually split into two divisions, a traditional accounting division, called Arthur Andersen, and Andersen Consulting. Both fell under one corporate umbrella, called

Andersen Worldwide. Rather than valuing conscientiousness, consulting firms generally encourage creativity and award aggressive sales behaviour, taking the customer from project to the next. In the 1990s in particular, there was a real cowboy mentality in the consulting industry, and the accounting side of Andersen felt the impact. Some of its accountants clearly got swept up in the momentum, letting go of the auditing business values that had guided them for so long. Throughout most of the '90s, Arthur Andersen was a firm at war with itself. The consulting business was subsidizing the auditing side and didn't like it, and you can be sure the auditing side wasn't crazy about the bravado of the consulting types. In these circumstances, how could people know the answer to questions like, 'What really is our mission?' 'What values matter most?' and 'How should we behave?' Depending which side of the firm you pledged allegiance to, your answer would be different, and that's ultimately why the partners ended up in court with each other, trying to figure out how to divide the firm's profits. Eventually, in 2002, the house collapsed, due in no small part to the disconnect between its mission and its values.

In many ways, the same kind of dynamic was behind the Enron collapse. In its prior life, Enron was a simple, rather mundane pipeline and energy company. Everyone was focused on getting gas from Pont A to point B cheaply and quickly, a mission they accomplished very well by hiring expertise in energy sourcing and distribution. Then, like Arthur Andersen, the company changed missions. Someone got the idea to turn Enron into a trading company. Again, the goal was faster growth. At Arthur Andersen, auditors wearing green eyeshades were suddenly sharing office space with MBAs in Armani suits. At Enron - again, figuratively speaking – the guys in coveralls were suddenly riding the elevator with MBAs in suspenders. Enron's new mission meant it focused first on trading energy and then on trading anything and everything. That change was probably pretty exciting at the time, but obviously no one stopped to figure out and explicitly broadcast what values corresponding behaviours would support such a heady goal. The trading desk was the place to be, and the pipeline and energy generation businesses got shoved to the background. Unfortunately, there were no processes to provide checks and balances for the suspenders crowd. And it was in that context - of no context – that Enron's collapse occurred." (Welch, 2005: 22-23).

A variant, or extension of the values statement idea is the publication of a charter, awarded to the organization by a professional body, or as a device in the public sector for bringing to the attention of a stakeholder group, such as patients in the NHS, their rights as customers or users of the service.

vertical integration (see horizontal integration)
Vertical integration is the growth of an organization by expanding its operations along the distribution chain towards the ultimate customer, and/or along the supply chain towards the primary sources of supply.

vision (see leadership, direction, purpose, strategic intent, realism)
Vision is a view of some desired future state or ideal for the organization. A corporate vision statement is normally an aspirational statement of what an organization wants to be or wants to achieve in the future. Its primary purpose is to give a longer-term sense of direction to an organization's longer-term strategic objectives and overall strategy. It may also be used as an operational device to align shorter-term plans and corporate culture. Vision is often used interchangeably and

confusingly with mission. Vision is not strictly about the scope of an organization's business as it exists now (see mission) so much as about a desired future state, as aspiration, or as an ideal state or standard. It should be simple so its sense is easily understood by all. There is no formula for putting together a vision, though one might expect the visioning activity to include an organization's stakeholders, and for the activity to involve some kind of catchball. Vision (with values and mission) comes into play, particularly during the development of corporate goals, as a major element for guiding the direction of the organization. Vision statements can be used at any level of an organization; so e.g. an operational team might compare its present performance with a desired level expressed as the team's vision statement. However, corporate of strategic vision statements refer to the purpose of the organization as a whole.

Setting vision (and mission) can be an involving process: *"Unless* [people] *participate in the broader dialogue of the company, they will not know what is right and will tend to sub-optimise, or do what is right according to the perspective of their own 'egocentric' process. This parochial view of the 'best' way to do something – and each of course having his or her 'best' way is most often not optimal for the overall business system. The objective is to obtain alignment (or consistency) among all participating factions, and focus the business as a coherent whole system on its core objectives. The core objectives become those agreements that can be reached by consensus for the purpose of the business system. In many American businesses this is a process of 'management visioning',"* (Watson, 1991: xxiii).

Senge (1990b) gives a view about how a 'shared vision' might be facilitated and created. There is also a view that vision is itself a strategy, or a directional statement that serves as a referential framework for managers to make strategic decisions, and for everyone to align their work within its boundaries. For some companies vision and strategy may well be the same thing, or at least overlap. Often, what is meant is that the company concerned has no formal longer-term strategic planning, but rather a longer-term vision/strategy that is used instead to (loosely) guide shorter-term implementation and execution. Note, however, that this does not rule out a formal approach at an implementation and execution level, when a business might draw up quite detailed shorter term plans that are consistent with the longer-term vision (and a business within a corporation, or a department, may have their own, more specific to them, longer-term visions).

Collins & Porras define vision by core values, purpose and an audacious goal (Porras, 2005). In research for their popular business book (Collins & Porras, 1994), they carried out a survey of 700 chief executives to identify the most twenty 'highly visionary' companies. A large number of these have since lost their way: *"I think they have made mistakes, even when trying to follow good values,"* (Porras, quoted in Reingold & Underwood, 2004: 3). Porras (2005) observed that the most important part of the book was about core values: *"if you could unite your company around a system of core values that everyone actually believed in and goals that were wildly ambitious* [they called these BHAGs, Big Hairy Audacious Goals]*, you could achieve great success (4)...Core ideology is so fundamental to an organization that it seldom, if ever, changes. It's important not to confuse core ideology with culture, strategy, tactics, operations, policies, or other non-core practices. Over time, all of these must change. The only thing a company should not change over time is its core ideology*

which has two parts: core values and purpose...will not compromise its core values for financial gain or short-term expediency...purpose is the organization's fundamental reason for existence beyond just making money. It's a sort of perpetual guiding star but not to be confused with specific goals or business strategies...There are many principles. For example, visionary companies have visionary leaders who focus on building rather than leading the organization. These companies are characterised by a core ideology and a passion for change, with mechanisms in place for preserving the core values beyond profit, very tight cultures and home grown management. Very seldom will you see a visionary company bring in a new CEO from the outside. These companies stimulate change through very big audacious goals, what we call purposeful evolution and continuous improvement. They also tend to have better alignment between their core values and how the organization is structured... [There are dangers to imposing a vision, top-down.] *The danger lies in the vision not fitting the reality of the organization. If a new CEO is appointed and tries to impose a new vision not aligned with the company's historic core values, the organization is not likely to buy it. That's one important reason visionary companies seldom hire a new CEO from the outside. It's a risky thing to do,"* (40-41).

This happened at HP, one of the original 20 companies, with unfortunate results (see the HP Way). The idea that vision should be very ambitious is reflected in the notion of 'strategic intent' (Hamel & Prahalad, 1989), but an obsession on a narrow and specific vision can lead to tunnel vision or a false sense of confidence. Microsoft aimed to put a PC on everyone's desk, but was slow to take advantage of the Internet - perhaps Microsoft was too product focused (Levitt, 1960). It is not that vision should be fuzzy (this is not what a vision should be if it is used to determine overall priorities), but that it should be managed and its assumptions continuously tested at the senior level through review. After all, there is no obvious reason why Microsoft's ambition should be incompatible with web development! Quite the reverse.

visionary leadership (see leadership)
Visionary leadership is a personalised form of strategic control that conditions organizational culture: it is based on a dominant leader's vision.

vital few (see hoshin kanri, Pareto principle)

voice of the customer (VOC) (see quality function deployment)
This is a term used in quality function deployment, and more generally to articulate value as the customer sees it (strictly, it should be the customer's own words). It can be used to derive strategies and means, and is related to the idea of a value proposition. In marketing the VOC can be specified as a positional statement of an offer's customer benefits in a way which clearly differentiates the offer (in the customer's mind) from alternatives. The importance of the customer's perspective is central to many ideas including process management and, especially, the customer perspective part of the balanced scorecard. A distinction is sometimes made (especially in performance excellence models) between perception (soft) measures and performance (hard) indicators. The former are subjective and measures of how people actually see and feel (the needs which products and services satisfy), while the latter are the objective indictors used to produce and deliver to the demand for services and products.

VRIO (see resourced-based view)
Barney (1997) offered criteria to identify resources to judge whether or not they are strategic or different to resources used by rivals. This is called the VRIO framework, which is widely cited in the literature.

- Value: does a resource, or a capability, enable the organization to respond to environmental threats and opportunities?
- Rareness: do competing organizations already possess a particular resource and capability?
- Inimitability: would rivals face a cost disadvantage if they tried to copy or obtain the resource, capability?
- Organization: is the organization able to exploit the full competitive potential of the resource, capability?

A variation is VRIN, where 'N' denotes 'non-substitutable' and where there is no strategically equivalent alternative to the resource concerned (Barney, 1991).

waste (see value stream analysis)
workouts (see strategy-as-practice)

world class performance (see benchmarking, best practice)
World class performance originally meant that world class organizations are those that are able to continuously improve customer quality while at the same time reducing prices and costs. Porter, Takeuchi & Sakakibara (2000) put 'high quality and low cost' at the top of their Japanese corporate model (see Japanization). *"The insight embraced by Japanese companies was that standardisation, mass production, and eliminating unnecessary process steps were not only tools for cost reduction but the best way to achieve very high levels of quality in terms of consistency and timeliness,"* (70). The possibility that competitive advantage can be gained simultaneously by offering superior quality and lower costs runs counter to Porter's idea of mutually exclusive generic strategies (see competitive strategy). More generally, world class performance means a benchmarked performance that compares well with the industry as a whole. GE, in an unpublished benchmarking study, evaluated the implementation of strategic change in nine strategic partners in the mid-1980s, and used the following to define world-class: (1) the organization knows its processes better than its competitors know theirs; (2) knows the industry competitors better than its competitors; (3) knows its customers better than its competitors know their customers; (4) responds more rapidly to customer behaviour than do competitors; (5) uses employees more effectively than do competitors, and (6) competes for market share on a customer-by-customer basis, (cited in Watson, 1993: 34). A related term is world class manufacturing, believed to be first coined by Hayes & Wheelwright (1984).

Literature, such as the *Harvard Business Review,* stresses the importance of world class practices and uses case material from exemplar companies. But, of course, many, typically small and non-profit organizations, may not be motivated in the same way as, say, global firms, to compete with first class organizations; for example, an owner-manager might be in business for a form of life style, rather than to grow the company. Business and management are also about how ordinary people and organizations with limited opportunities use management ideas, so they are straightforward and easy to understand. These are quite often the tried and trusted

ideas and, within reason, in terms of satisfying a customer, it may be that 'good enough' will do. This is not to argue against the idea that suppliers should exceed their customer expectations, but rather that best practice must be relevant and contribute to value in the particular context of the organization concerned, Change should not be done for its own sake. Rightness depends on the nature of a particular strategic context. For example, while a best practice might seem to require a high investment in new technology, if the firm's strategy is all about personal service and the inter-personal skills of its employees, then the adoption of new technology might be less important than more investment in developing people. Thus best practice for the situation at hand becomes contingent on the nature of an organization's strategic resources, which, by definition should be unique to the organization concerned (see the resourced-based view).

zero defects (see TQM, gurus)
The words, 'zero defect strategy' might have been applied first at Matsushiita Electric in the early 1960s, and Shingo (1981) was important to statistical process control, where the aim is to continuously squeeze noise out of a process, and to continuously seek reductions in quality variation. However, as a general management principle, Philip Crosby (1979) made 'zero defects' internationally famous as a 'quality absolute' (a principle, but some disparagingly call it a slogan). He is regarded as one of the quality gurus, and his consultancy was an influential change agent in the adoption of TQM in western companies, partly because he advocated thinking about quality in financial terms; otherwise, he argued, senior management in the West is unlikely to be serious about quality management. Central to this idea, is that the financial cost of quality will more than pay for itself over the longer term. He defined the cost of quality as a product's or a service's non-conformance to the customer's specification (or wants). To get quality right every time, requires not just putting things right through immediate corrective action, but looking further to make sure that the fundamental issues that caused the defects in the first place, are actually solved and do not recur. Crosby contrasted this zero defect thinking to the traditional efficiency model of quality management. This is based on the premise that there will come a point in expenditure when the extra cost of an additional unit of improved quality will exceed the extra unit of value that is gained, so that any further investment seems likely to be unproductive. Crosby argued that this type of thinking implies people will think there is an acceptable level of poor quality and is likely to encourage complacency (for example, the idea that new products are bound to have their teething problems may blunt the edge to do something about them). Crosby argued that once an optimal level is determined employees are likely to stop looking for further improvements. Of course, in terms of the marketing concept, any acceptance of poor quality is at odds with satisfying customers.

The ideal of zero defects appears a naïve one to many, but Crosby was really proposing his 'quality absolute' of zero defects as a necessary principle for discipline in driving continuous improvement. In a way, it is variant on the old proverbs - 'a stitch in time, saves nine' or 'take care of the pennies and the pounds will take care of themselves'. In crime fighting zero defects has been called zero tolerance: Giuliani (2002) explains how a similar theory about broken windows helped him reduce crime in New York (see broken windows).

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Notes

et al. = 'and other authors'
ibid. = 'in or about the same place, in the work last or just cited'
op cit. = 'work previously cited'

List of acronyms and abbreviations

BCG: Boston Consulting Group
BPR: business process reengineering
BRIC: Brazil, Russia, India, China
BT: British Telecom
CEO: chief executive officer
CFT: cross-functional management teams
CIMA: Chartered Institute of Management Accountants
CRM: customer relationship management
CSF: critical success factor
CSR: corporate social responsibility
DMAIC: define, measure, analyse, improve, control
DMADV: define, measure, analyse, design, verify
GDP: gross domestic product
EDI: electronic data interchange
EFQM: European Foundation for Quality Management
EPOS: electronic point of sale
EU: European Union
EVA: economic value added
FAIR: focus, align, integrate, review
FY: financial year
GDP: Gross Domestic Product
GE: General Electric
GNP: Gross National Product
H-form: traditional form of functionally-based organization
HP way: The Hewlett-Packard Way
HR: human resources
HRM: human resource management
ISO: International Standards Office
IT: information technology
JIT: just-in-time (management)

KPIs: key performance indicators
M&A: mergers and acquisitions
M-form: multi-divisional form of organization
M&S: Marks and Spencer
MAD: Measure, (be) analytical, disciplined
MbO: management by objectives
MBO: management buy-out
Mgt: management
MIT: Massachusetts Institute of Technology
MNC: multi-national corporation
MoO: management of (the) objective (by its means)
N-form: network form of organization
NHS: National Health Service
NUMMI: New United Motor Manufacturing Incorporated
OD: organization development
OEM: original equipment manufacturer
PC: personal computer
PDCA: plan, do, check, act (the Deming cycle)
PEST: political, economic, social, technological (+ EL: environmental, legal) analysis
PIMS: profit impact of market strategies
PLC: publicly listed company
POSIES: purpose, objectives. strategy, implementation, execution, strategic control
POST: purpose, objectives, strategy, tactics
PPP: private public partnership
QCDE: quality, cost, delivery, education (P, people)
QFD: quality function deployment
R&D: research and development
RBV: resource based view
REEs: Rapidly emerging economies
ROCE: rate of return on cost of capital employed
SBU: strategic business unit
SEC: Securities and Exchange Commission (USA)
SMART: specific, measurable, action-oriented, realistic, time-bound (objectives)
SME: small and medium sized enterprises
SPC: statistical process control
SWOT: strength, weaknesses, opportunities, threats (analysis)
TEA: top executive audit
TMT: technology. media, telecommunications (industries)
TPS: Toyota Production System
TQ: total quality
TQC: total quality cost
TQM: total quality management
UEA: University of East Anglia
VCR: video cassette recorder
VHS; video home system
VOC: voice of the customer
VP: Vice President
VRIO: value, rareness, inimitability, organization
VSA: value stream mapping

Index of organizations by section.

Dell: business ethics, customer relationship marketing, dynamic capabilities, global-level strategy, growth strategies, mass market

Deutsche Post: supply chains

Disney: corporate parenting, good-to-great companies, growth strategies

Donnelly: hoshin kanri

Dow Chemical: centralisation

DuPont: corporate parenting, commodisation, diversification, management by objectives, strategic intent, strategic planning

easyGroup: business model

eBay: chief strategy officers, corporate parenting, first mover advantage, Internet, technology

EDF: balanced scorecard

Electrolux: global-level strategy

EMI: leadership

Encyclopaedia Britannia: Icarus paradox

England football team: functional management

Enron: bureaucratic organization, corporate governance, financial perspective, revolution, values-mission disconnect

Ericsson: incentives & rewards

ExxonMobil: centralisation

FedEx (Federal Express): business model, supply chains

Fiat: new product development, strategic alliances

Florida Power & Light: hoshin kanri

Flybe: business model

Ford: benchmarking, core business, corporate governance, corporate parenting, financial perspective, global-level strategy, good-to-great companies, hoshin kanri, leadership, learning & competences, mergers and acquisitions, new product deployment, QCDE, realism, total quality management, values

Fortis: strategic alliances

GE (General Electric): budgets, China, command & control, core business areas, corporate parenting, diversification, growth strategies, human resource management, long range planning, longevity, marketing, mergers and acquisitions, mission, revolution, six-sigma, strategic choice, strategic planning, strategy, strategy-as-practice, strategy implementation & execution, values

GEC: corporate governance, financial perspective, Icarus paradox

General Motors (GM): benchmarking, corporate parenting, diversification, global-level strategy, Japanese management, just-in-time management, management by objectives, strategic alliances, strategic intent, strategic issue management, strategic planning

Gillette: Internet

Glaxo Smith Kline: innovation

Glenlyte: longevity

Goldman Sachs: credit crunch

Google: entrepreneurial leadership, first mover advantage, management, strategy

Gore WL: management

Grundig: longevity

Hanson Trust: structure

Harley Davidson: Honda Effect

Heineken: strategic alliances

Hewlett-Packard: acquisition integration, balanced scorecard & hoshin kanri, business fundamentals, business models, core business processes, delivery systems, good-to-

great companies, hoshin kanri, hoshin planning, management by objectives, planning, QCDE, review. strategic alliances, strategic intent, vision

Hitachi: Japanese management

Honda: dynamic capabilities, Honda effect, resource-based view, six-sigma

Honeywell: strategic control

I2: planning

IBM: cannibalism, growth strategies, Icarus paradox, innovation, Internet, mass market, networks, OEM, strategic intent

ICI: commodization, context, content & process, structure

IKEA: business model, competitive strategy, growth strategies, networks, senior management, strategic fit

Ingersoll Rand: halo effect

Intel: cannibalism, networks

ITT: corporate parenting

Jaguar cars: mergers and acquisitions

JVC: S-curve

Kenyon Stores: review

Kmart: dynamic capabilities, halo effect

Kodak: strategic intent

Kroger: brands

Komatsu: hoshin kanri, QCDE, strategic intent, total quality management

KPMG: targets

KwikFit: corporate governance

Lehman Brothers: credit crunch

Litton Industries: corporate parenting

London Underground: public sector management

Marks & Spencer: business model, supply chain management

Marconi: corporate governance, Icarus paradox

Matsushita: corporate parenting, Japanese management, new product development, zero defects

McDonalds: franchising, internal marketing, scientific management

Metronet: public sector management

Microsoft: corporate parenting, diversification, first mover advantage, global-level strategy, growth strategies. Icarus paradox, Internet, strategic persistence, strategy

Miller Brewing Company: mergers and acquisitions

Mobil (see Exxon/Mobil): balanced scorecard

Morgan Stanley: centralisation, strategic choice

Motorola: innovation. six-sigma, total quality management

NASA: project management

NatWest: financial perspective

NEC: strategic alliances

Netscape: Icarus paradox

New York City Police: broken window theory, CompStat, leadership, zero defects

NHS (National Health Service): internal market, organizational culture, priorities, values

Nike: dynamic capabilities, globalization, networks

Nissan: core business areas, global-level strategy, hoshin kanri, keiretsu, longer/short-term strategy, maturity grid, nemawashi, strategic alliances, top executive audit, turnaround

Nokia: global-level strategy, resource based view, values

Novartis: centralisation
PayPal: S-curve
Permira: private equity firms
Peugeot-Citroen: strategic alliances
Philips: longevity
Proctor & Gamble (P&G): brands, downsizing, global-level strategy, hoshin kanri, management of change, revolution, strategic intent
Railtrack: middle management
Renault: growth strategies, keiretsu, strategic alliances, turnaround
Rentokil: stability
Royal Bank of Scotland: strategic alliances
Ryanair: business model, price
Sainsbury: customer relationship management, private equity firms
Santander: strategic alliances
Scottish & Newcastle: brands, strategic alliances
(Royal Dutch) Shell: globalization, Scenario planning
Siemans: longevity
Singer: innovation
Sky Television: first mover advantage
Sony: commodization, diversification. First mover advantage, good-to-great companies, Japanese management, lean production, longevity, new product development, resource-based view, S-curve, strategic intent
South Yorkshire Police: structure
Southwest Airlines: activity-based view of strategy, case 4 (Ryanair), strategic fit
Standard Oil: diversification
Starbucks: entrepreneurial leadership, values
Target: halo effect
Tata Group: brands, corporate parenting, global-level strategy
Telefunken: longevity
Tesco: balanced scorecard, brands, customer relationship management, de-layering, global-level strategy, performance management
Texas Instruments: catchball, hoshin kanri
Texas Pacific Group: private equity firms
Textron: balance, corporate parenting, strategic change
Time Warner: mergers and acquisitions
Thomson: longevity
TNT: supply chains
Toshiba: Japanese management
Toyota: benchmarking, competitive strategy, cross-functional management, dynamic capabilities, financial perspective, growth strategies, gurus, hoshin kanri, Japanese management, just-in-time management, knowledge management, lean production, mid-term plans, objectives, QCDE, quality tools, root cause analysis, strategic alliances, total quality management, value stream analysis, values
Tyco International: balance, diversification
UBS: mergers and acquisitions
UK government: joined-up government, public sector management, targets
Unilever: brands, hoshin kanri
United Postal Service: supply chains
United States Rubber: diversification
Vivendi: Icarus paradox

Virgin: corporate governance, corporate parenting, diversification, entrepreneurial leadership, excellence, leadership
Vodaphone: commodization, mergers and acquisitions
Wal-Mart: brands, dynamic capabilities, global-level strategy, globalization, good-to-great companies, halo effect, Internet
Webvan: Icarus paradox
Wells Fargo: growth strategies
Western Electric: management, managers, managing; scientific management
Whitbread: strategic portfolio analysis
Whole Foods Market: management
WorldCom: corporate governance, mergers and acquisitions
WPP: corporate image
Xerox: balanced scorecard & hoshin kanri, customer satisfaction, hoshin kanri, objectives, ownership, performance excellence models, strategic control, strategic intent, top executive audit, total quality management

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