

Talk:Strategy_Formulation

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The design school: reconsidering the basic premises of strategic management Henry Mintzberg

The 'design school' of strategic management, focuses on a non-complex model that perceives the process of strategic formation as a design process to reach a balance between internal distinctive competence and external threat and opportunity.

The design school represents the most influential view of the strategy-formation process. In the words of this school's best-known advocates: "Economic strategy will be seen as the match between qualifications and opportunity that positions a firm in its environment" (Christensen, Andrews, Bower, Hamermesh, and Porter in the Harvard policy textbook, 1982:164).

The "design planner" is an expert at anticipating, with the help of strategic planning's analytical techniques, what future business environments will be like, and at creating appropriate product-market strategies which fit with the environmental opportunities and threats facing the organization and its resource strengths and weaknesses.

The "design planner" formulates clear and simple strategies and communicates them to the staff so that everyone can implement them. Strategy formation therefore should be a conscious, informal and controlled process of thought.

Richard Rumelt (1997), has provided the best framework for how strategy formation should be:

Consistent: The strategy must not present mutually inconsistent goals and policies.

Consonant: The strategy must represent an adaptive response to the external environment and to the critical changes occurring within it.

Advantageous: The strategy must provide for the creation of an advantage in the selected area of activity.

Feasible: The strategy must neither overtax available resources nor create unsolvable sub problems.

Main premises of the Design School:

1. Strategy formation should be a deliberate process of conscious thought.
2. Responsibility for that control and consciousness must rest with the chief executive officer: that person is the strategist.
3. The model of strategy formation must be kept simple and informal.
4. Strategies should be one of a kind: the best ones result from a process of individualized design.
5. The design process is complete when strategies appear fully formulated as perspective.
6. These strategies should be explicit, so they have to be kept simple.
7. Can these strategies then be implemented?

Critique of the Design School There are several criticisms on the design school of thought on its reliability and validity. The author has counteracted with these criticisms and explained that it is based on assumptions, which

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are misleading, as the concept propagated by design school was over simplified and restricted in application.

A strategy that locates an organization in a niche can narrow its own perspective. This seems to have happened to the design school itself with regard to strategy formation.

The premises of the model deny certain important aspects of strategy formation, including incremental development and emergent strategy, the influence of existing structure on strategy, and the full participation of actors other than the chief executive.

Main critics of design school:

1. The school's promotion of thought independent of action, strategy formation above all as a process of conception rather than one of learning.
2. The school promotes that structure should be determined by strategy, but the past counts! It must be an integrated system.
3. Explicit strategies are binders designed to focus direction and so to block out peripheral vision; it promotes inflexibility.
4. The school promotes the formulation-implementation dichotomy and encourages leaders to oversimplify strategy.

Applications of Design School of Thought:

The design school model would seem to apply best at the junction of a major shift for an organization, coming out of a period of changing circumstances and into one of stability. Of course, a clever new management might also wish to impose a better strategy on an organization whose circumstances have not changed.

There is another context where the design school model might apply, and that is the new organization, since it must have a clear sense of direction in order to compete with its more established rivals (or else position itself in a niche free of their direct influence). This period of initial conception of strategy is, of course, often the consequence of an entrepreneur with a vision, the person who created the organization in the first place. And that really brings us closer to the entrepreneurial school (which, as we shall see, favors a less formal, more "intuitive" process).

The design school's major contribution is that it has developed important vocabulary by which to discuss grand strategy and has provided the central notion that strategy represents a fundamental fit between external opportunity and internal capability; an "informing idea".

The Design School

This school sees strategy formulation as a process of conception. Approach: Clear and unique strategies are formulated in a deliberate process. In this process, the internal situation of the organisation is matched to the external situation of the environment. Basis: Architecture as a metaphor. In short: Fit! "Establish Fit!" Contributions: Order. Reduced Ambiguity. Simplicity. Useful in relatively stable environments. It supports strong, visionary leadership. Limitations: Simplification may distort reality. Strategy as many variables and is complex. Bypassing learning. Inflexible. Weak in fast changing environments.

The Planning School

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This school sees strategy formulation as a formal process. Approach: A rigorous set of steps are taken, from the analysis of the situation to the execution of the strategy. Basis: Urban planning, system theory, cybernetics. In short: Formalize! Strategy should be like a machine! Contributions: Gives clear direction. Enables firm resource allocation. Analysts can pre-screen the facts and they can judge the crafted strategies. Control. Limitations: Strategy can become too static. Predictions are difficult. Top managers must create the strategy from an ivory tower. Strategy is partially an art.

The Positioning School

This school sees strategy formulation as an analytic process. Approach: It places the business within the context of its industry and looks at how the organisation can improve its strategic position within that industry. Basis: Industrial organisation (economics) and military strategy. In short: Analyse! Nothing but the facts! Contributions: This school made Strategic Management into a science, enabling future progress. Provides content in a systematic way to the existing way of looking at a strategy. Focus on hard (economic) facts. Particularly useful in early stages of strategy development, when data is analysed. Limitations: Strategy can become too static. Predictions are difficult. Neglects power, politics, culture, social elements. It is biased towards large firms.

Strategy Formulation in Business

Strategy formulation can be regarded also as a component of strategic management. In this way, the process of formulating a strategy could be divided into three phases: diagnosis, formulation and implementation.

Diagnosis: -an analysis of the internal environment of the organisation is performed and includes the evaluation of the existing mission, objectives, as well as strengths and weaknesses -an analysis of the external environment of the organisation, including opportunities and threats -the identification of critical issues, which can be problems specific to the organisation or threats / weaknesses that require specific management attention

Formulation: -this is the phase where recommendations are made, together with arguments, that challenge and revise the mission and objectives of the company and indicate the strategy for achieving the improved version -the main purpose of this phase is to create sustainable competitive advantages and business strategies to make the company more successful -this can be achieved by reviewing the current objectives and strategy (analysed in the Diagnosis phase), offering alternatives, weighing the advantages and disadvantages of the alternatives and deciding on which ones to implement

Implementation -this is the phase where the implementation plan is developed and carried out in order to make the selected strategy a fact.

There are three levels of business strategies: Corporate Strategy - dealing with broad decisions and directions
Competitive Strategy - how to address competition
Functional Strategy - short term strategies focused on specific, functional objectives (e.g. improving productivity)