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## THE ORIGINS AND DEVELOPMENT OF STRATEGIC MANAGEMENT “KNOWLEDGE”: A HISTORICAL PERSPECTIVE

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Strategy

# THE ORIGINS AND DEVELOPMENT OF STRATEGIC MANAGEMENT “KNOWLEDGE”: A HISTORICAL PERSPECTIVE

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## Abstract

This paper examines the issue of the historical development of the knowledge dubbed strategic management. Strategic management is a field of study, academic discipline and a business area. Much knowledge has been generated during the different phases of the development of the concept or discipline. This has benefited many organizations. Knowledge management is crucial for development and transformation of societies and quality of life. Over the years, for the purposes of accelerating progress and development, a lot of knowledge has been generated in this area of academic and practical interest. This paper examines this specific area of academic endeavour popularly called strategic management. Nearly every organization on the globe engages in some form of strategic planning or management. This paper examines the development of this very important area of knowledge and attempts to provide the critical issues in the historical development of the discipline in the context of the requisite knowledge management. Understanding the critical dimensions in the development of the discipline provides readers, practitioners and policy makers with knowledge that if utilized properly will help organizations achieve growth and development from the most advantageous point in their operations. This is the essence of strategic management. This paper utilized secondary data that was obtained from desk research but data was also collected using a checklist, focus group interview and a brain storming session with Doctor of Business Administration students (DBA Cohort 2) at the United States International University (USIU) – Africa in Spring 2014.

**Keywords:** *Origins, development, strategic management knowledge, historical perspective*

## 1.0 INTRODUCTION

It is an established fact that knowledge management is critical today for the success of organizations irrespective of their sectors of involvement. Private sector organizations, NGO sector organizations and Civil Society Organizations all benefit from strategic planning (Pearce &

Robinson, 2012). Knowledge management is crucial for development and transformation of societies and quality of life. Over the years, for the purposes of accelerating progress and development, a lot of knowledge has been generated in the field of strategic management. Organizations have claimed success in the area of strategic management because they have utilized the most modern knowledge, tools and concepts in the discipline to come up with strategies that ensure achievement of a sustainable competitive advantage. This paper examines the issue of the historical development of strategic management and the requisite knowledge generated during the different phases of the development of the discipline. Nearly every organization in the globe engages in some form of strategic planning or management. This paper presents the development of this very important area of knowledge and attempts to provide the critical issues in the historical development of the discipline in the context of knowledge management. Understanding the critical dimensions in the development of the discipline provides readers, practioners, policy makers and academicians with knowledge that if utilized properly will help organizations including universities achieve growth and development from the most advantageous point in their operations.

## 2.0 LITERATURE REVIEW

The focus of the literature review here is the concept of strategic management. However, it suffices here to briefly outline the scope and meaning of Knowledge Management (KM). KM is about mining of knowledge, exploitation of knowledge, and sharing of knowledge for the purposes of achieving new and improved levels of performance. KM may be looked at from different dimensions and disciplines because KM is universal. Jashapara, (2011) has brought together four dimensions of Knowledge Management which are Strategy, Change Management, Organizational Learning and Systems and Technology. This has resulted to an all new, modern and integrated definition of KM from an interdisciplinary perspective. Jashapara (2012) defines KM as „the effective learning process associated with exploration, exploitation and sharing of human knowledge (tacit and explicit), that use appropriate technology and cultural environments to enhance an organization“s intellectual capital and performance“.

The main focus of knowledge management is steering strategy and, identifying and communicating the various types of knowledge that reside in processes, people, products and services in order to support integration to improve productivity and efficiency (Usman and Ahmed 2012). Knowledge is categorized to pursue different research interests, namely, the tacit and explicit dimensions of personal knowledge and processes required for managing to create organizational knowledge (Bjornson, 20007). It has traditionally been assumed that there are three broad types of knowledge processing: generation, transfer, and utilization. However, for the any advancement in the field of knowledge management, we need to appreciate how the discipline has developed and the various contributions from different dimensions. The concept of strategy has been largely a semantic issue since its first mention in the Old Testament. Many authors have focused their attention on the concept of strategy but have failed to comprehensively investigate its historic evolution. This omission in favour of an exclusively contemporaneous approach, has led to confusion among professionals and students alike.

Strategy is a word with many meanings and all of them are relevant and useful to those who are charged with setting strategy for their corporations, businesses, or organizations. Some definitions of strategy as offered by various writers spanning the years 1962 to 1996 are briefly reviewed below.

Alfred D. Chandler, Jr., author of *Strategy and Structure* (1962), the classic study of the relationship between an organization's structure and its strategy, defined strategy 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 for carrying out these goals." In *Planning and Control Systems*, Robert (1965), in one of the books that laid the foundation for strategic planning, didn't give his own definition of strategy. Instead, he used one presented in an unpublished paper by Harvard colleague Kenneth R. Andrews: "the pattern of objectives, purposes or goals and major policies and plans for achieving these goals stated in such a way as to define what business the company is or is to be in and the kind of company it is or is to be." Kenneth Andrews, long-time Harvard professor and editor of the *Harvard Business Review*, published the first edition of *The Concept of Corporate Strategy* in 1971 and updated it in 1980. His published definition of strategy took this form in the 1980 edition: "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 businesses 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." (Andrews' definition of strategy is rather all-encompassing and is perhaps best viewed as a variation on the military notion of "grand strategy".)

George Steiner, a co-founder of the *California Management Review*, and author of the 1979 "bible," *Strategic Planning: What Every Manager Must Know*, observed that there was little agreement on terms or definitions and confined his discussion of the definition of strategy to a lengthy footnote. But, nowhere does he define strategy in straightforward terms.

Michael Porter, another Harvard professor, became well known with the publication of his 1980 book, *Competitive Strategy*. Porter defined competitive strategy as "a broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals." (In contrast with Andrews' definition, Porter's is much narrower, focusing as it does on the basis of competition.) Also published in 1980, was *Top Management Strategy*, by Benjamin Tregoe (of Kepner-Tregoe Fame), and John Zimmerman, a long-time associate of Tregoe's. They defined strategy as "the framework which guides those choices that determine the nature and direction of an organization." (This definition is quite succinct but still includes "nature" and "direction".)

In 1994, Henry Mintzberg, an iconoclastic professor of management at McGill University, took the entire strategic planning establishment to task in his book, *The Rise and Fall of Strategic Planning*. In effect, Mintzberg declared that strategy did indeed have several meanings, all of which were useful. He indicated that strategy is a plan, a pattern, a position, a perspective and, in a footnote, he indicated that it can also be a ploy, a maneuver intended to outwit a competitor.



A more recent entry appears in *Strategic Planning for Public and Non-profit Organizations*, published in 1996 by John Bryson, professor of planning and public policy at the University of Minnesota. Bryson defines strategy as “a pattern of purposes, policies, programs, actions, decisions, or resource allocations that define what an organization is, what it does, and why it does it.”

In the military, the strategy for a battle refers to a general plan of attack or defence. Typically, this involves arrangements made before actually engaging the enemy and intended to disadvantage that enemy. In this context, strategy is concerned with the deployment of resources. In civilian terms, this amounts to the “allocation” of resources. Tactics is the companion term and it refers to actions formulated and executed after the enemy has been engaged, “in the heat of battle,” as it were. Tactics, then, is concerned with the employment of resources already deployed. In the civilian sector, this equates to operations in the broad sense of that term. Generally speaking, tactical manoeuvres are expected to occur in the context of strategy so as to ensure the attainment of strategic intent. However, strategy can fail and, when it does, tactics dominate the action. Execution becomes strategy. Thus, it is that, whether on the battlefield or in business, the realized strategy is always one part intended (the plan as conceived beforehand) and one part emergent (an adaptation to the conditions encountered). As a consequence, there are always two versions of a given strategy: one, strategy as contemplated or intended and second strategy as realized.

In lieu of the above premise, strategy can be referred to as top management’s plans to develop and sustain competitive advantage, a state whereby a firm’s successful strategies cannot be easily duplicated by its competitors, so that the organization’s mission is fulfilled. Following this definition, it is assumed that an organization has a plan, its competitive advantage is understood, and that its members understand the reason for its existence. These assumptions may appear self-evident, but many strategic problems can be traced to fundamental misunderstandings associated with defining the strategy. Debates over the nature of the organization’s competitive advantage, its mission, and whether a strategic plan is really needed can be widespread. Comments such as

“We’re too busy to focus on developing a strategy” or “I’m not exactly sure what my company is really trying to accomplish” can be overheard in many organizations.

Strategic management is a broader term than strategy, and is a process that includes top management’s analysis of the environment in which the organization operates prior to formulating a strategy, as well as the plan for implementation and control of the strategy. The difference between a strategy and the strategic management process is that the latter includes considering what must be done before a strategy is formulated.

Strategic management has grown rapidly since its emergence as an academic field and today is quite diverse (Ketchen, Boyd, and Bergh, 2008). Ketchen *et al.* (2008) point out that, despite its wide diffusion and the application of central models and concepts, there are many definitions of the strategy concept and strategic management, most of which lack an integrating nature. Although strategy is one of the most taught and studied concepts, it is paradoxically also one of the least understood. In short, the literature regarding strategic management comprises a large amount of

subject matter and topics that for many are fragmented and lack a coherent identity (Ketchen *et al.*, 2008).

Chaharbaghi (2007) points out that the scope and abundance of the literature, together with the variability of the perspectives and vocabulary employed, make what seems to be a central problem in the case of strategy a secondary matter. Pfeffer (1993) accentuates the fact that the different divisions of the *Academy of Management* often give prizes for the formulation of new concepts but not for the study or rejection of concepts that have already been invented. Koontz's (1980) view that we are still far from achieving a general acceptance of the meaning of key concepts and terms still holds true. As Nag, Hambrick, and Chen (2007) point out, „strategic management represents a case of an academic field whose consensual meaning might be expected to be fragile, even lacking.“ It is commonly upheld that the strategic management field appears fragmented and lacks internal consistency.

### 3.0 METHODOLOGY

The discipline of strategic management was chosen as the research setting for this study. Data was collected mostly through desk research. Desk research involved examining and reviewing available literature in the discipline of strategic management. Thus, most of the data was secondary data. Data was also collected using a focus group interview and brain storming with doctoral students at the Chandaria School of Business in United States International University – Africa in spring 2014. However, primary data collected this way was limited in scope.

### 4.0 DISCUSSION

Undoubtedly, the central concept of the field of strategic management is strategy. It is a concept that also suffers from the semantic problems in question. Some years ago, Andrews (1980) warned that many variations could be detected in the use of the vocabulary of strategy both in the business world and in academia. For Evered (1983), strategy is a favourite word in the field of management despite the ambiguity caused by the lack of a consensual definition of the term. Hambrick and Fredrickson (2001) point out that „strategy“ has become such a broad term that it is used to mean almost anything. More recently, Markides (2004) stated that the absence of a sufficiently agreed upon definition of strategy has led to the emergence of new terms that have added confusion and a state of disagreement among both scholars and managers.

Mulcaster (2009) typifies strategic management as looking out, looking in, and looking ahead. “Looking out” means exploring further than the boundaries of your organization to set practicable objectives, identify important stakeholders, and make room for change. “Looking in” involves critically reviewing and reinforcing your systems and structures for managing human resources, investments, and other indispensable resources. Lastly, “looking ahead” entails working out your strategy with structures and resources to attain your policy goals, while keeping an eye on your progress and adjusting your approach as needed.

The underlying principles of strategy were discussed by Homer, Euripides, and many other early writers. The term strategy comes from the Greek *strategos*, “a general” which in turn comes from

the roots meaning “army” and “lead.” The Greek word stratego means to “plan the destruction of one’s enemies through effective use of resources.” The concept of strategy in a military or political context has remained prominent throughout history, and has been discussed by such major writers as Shakespeare, Montesquieu, Kant, Mill, Hegel, Clausewitz, Liddell Hart, and Tolstoy. The strategic concepts developed by these writers have been used by numerous militarists and political theorists, such as Machiavelli, Napoleon, Bismarck, Yama-moto, and Hitler.

One of the first known applications to strategy to business occurred when Socrates consoled Nichomachides, a Greek militarist who lost an election to the opposition of general to Antisthenes, a Greek businessman. Socrates compared the duties of a general and a businessman and showed Nichomachides that in either case one plans the use of one’s resources to meet objectives. This viewpoint was lost, for all practical purposes, with the fall of the Greek citystates and was not to rise again until after the industrial revolution.

The need for a concept of strategy related to business became greater after World War II, as business moved from a relatively stable environment into a more rapidly changing and competitive environment. Ansoff (1965) has attributed this change in environment to two significant factors: the market acceleration in the rate of change within firms, and the accelerated application of science and technology to the process of management. The accelerated rate of change put a premium on the ability to anticipate change, to take advantage of new opportunities, and to take timely action in avoiding threats in and acceptance of analytic and explicit approaches to decision making that increased management’s ability to deal with the increasingly uncertain future.

The study of strategy as a term associated with management began to materialize during the 1950s, when the Ford Foundation and the Carnegie Corporation funded research into the curricula of schools of business administration. A synopsis of this research, the Gordon-Howell Report (1959), recommended extending business administration studies to include a final course in an area called „business policy“ (Certo and Peter, 1997). Prior to this time, academic interest in the subject was limited and there was no established research tradition.

Courses on business policy that had formed part of the curriculum of several business schools in the pre-war period were redesigned and given new emphasis. Adding to the organization of the development of this program was the impetus of sponsorship by 40 universities. Furthermore, the management of many internal company programs was added to the growing list of formal courses offered to prepare managers for the design of business policy (McNichols, 1977). At the same time, Peter Drucker (1954), in his book *„The Practice of Management,“* offered a first definition of strategy related to the field of management. This definition can be considered the first since the one contributed by Von Neumann and Morgenstern (1947) essentially has an economic dimension.

At the beginning of the 1960s, the concept of strategy emerged from the outcry over the need to help managers (particularly general managers) translate the chaos of events and decisions they faced on a daily basis in an orderly way to evaluate the position of the firm within its environment (Porter, 1983). In the decade from 1960 to 1970 these elements led to the beginning of a process of theoretical construction around the term „strategy“ in the business field. Herrmann (2005)

considers this to be the first era of ferment in strategic management as a discipline. This stage was characterized by the appearance of diverse definitions that tried to approximate what should be understood by „strategy.“ Many authors devoted a section in their papers to analyzing the term and proposing their own definitions, which favoured an increase in the number of meanings of the term „strategy“ in nascent strategic management and generated the assortment of definitions that remain with us today.

After Drucker's (1954) first definition, the pioneers in addressing strategy as a management term were Chandler (1962), Ansoff (1965), and Learned *et al.* (1969). These works came to form the theoretical basis of the field of strategic management and as such are considered classics in the field. Before the formal articulation of the definition of the strategy concept and the intellectual apparatus that this provided, the discussions of business policy cases at Harvard University were exercises in the search for the central matters that a firm has to deal with (Porter, 1983).

The first modern writers to relate the concept of strategy to business were Von Neumann and Morgenstern (1947), with their theory of games. Many other have created concepts of business strategy in the past 50 years. A comparison of these modern authors' concepts has been presented by Hofer and Schendel (1978). They found that among the authors, there was major disagreement in three primary areas: (1) the breadth of the concept of business strategy, (2) the components, if any, of strategy, and (3) the inclusiveness of the strategy-formulation process. Hofer and Schendel's comparison failed to discuss the commonalities in the concept of business strategy.

**Table 1 summarizes the history of the scope of strategic management.**

<b>HISTORY OF STRATEGIC MANAGEMENT</b>			
	<b>Macro</b>	<b>Micro</b>	<b>Macro</b>
Time	3000 B.C and Fall of Greek city states	Roman Empire and Industrial Revolution	Post World War II and Future
Strategy definition	Effective use of resources to meet objectives	Effective use of resources to meet objectives	analysis of internal and external environments of the firm in order to maximize utilization of resources in relation to objectives
Major contributors	Early Greek writers such as Homer, Euripides, and Socrates	Shakespeare, Montesquieu, Kant, Mill, Hegel, Clausewitz, Tolstoy	Von Neumann and Morgenstern, Drucker, Chandler, Ansoff, Glueck, McNichols, Steiner, Miner, Mintzberg, Hofer, Schendel
Application of strategy	Business, Military, and Government	Military and Government	Business, military and government

**Source: Jeffrey, (1980); Liedtka (1988)**



#### **4.1 Development of knowledge in the field of strategic management**

Appraisal of the strategy literature indicates there has been five phases in the development of the strategic management discipline since World War II. Gluck, Kaufman and Walleck (1980) clearly describe the evolution of the strategic management process in five phases with the first three phases incorporating strategic planning while the fourth phase entails strategic management. A fifth phase is now evident with the evolution of the paradigm from the strategic management phase of the 1980s to a more flexible form of strategic thinking in the 1990s (Stacey, 1993; Heracleous, 1998).

##### **Phase 1**

The first phase in the evolution of the strategy paradigm involved “basic financial planning” in the 1950s where the typical planning focus for the firm was the preparation of the financial budget with a time horizon barely beyond 12 months. These organizations tended to exhibit strong strategies however these strategies were rarely documented. The success of the organization was dependent on the quality of the CEO and the top management team and their knowledge of products, markets and rivals (Gluck et al, 1980). In the literature Drucker (1954) drew attention to this issue arguing that it is the role of top management to address the key questions with respect to strategy: “What is our business and what should it be?”

Interestingly, Selznick (1957) in his book *Leadership in Administration* set the foundation for some of the basic concepts of the design school at this time: “Leadership sets goals, but in doing so takes account of the conditions that have already determined what the organization can do and to some extent what it must do. In defining the mission of the organization, leaders must take account of (1) the internal state of the policy: the strivings, inhibitions, and competences that exist within the organization and (2) the external expectations that determine what must be sought or achieved if the institution is to survive.” Selznick (1957) also introduced the concept of strategy implementation when he referred to building policy “into the organization’s social structure.”

##### **Phase 2**

The second phase of “forecast-based planning” in the 1960s resulted in organizations embracing a longer time horizon, environmental analysis, multi-year forecasts and a static resource allocation as the firm responded to the demands of growth (Gluck et al, 1980). Important contributions to the evolution of the strategy literature were offered in this period by Chandler (1962), Andrews (1965) and Ansoff (1965). In particular Andrews (1965) and Ansoff (1965) were the first writers to address explicitly strategy content and process.

Chandler’s (1962) contribution from an historian’s perspective explained the development of large corporations and the way their administrative structures changed to accommodate the demands thrust upon management as a result of business growth. Chandler (1962) offered a broad definition of strategy which did not distinguish between strategy formulation and content noting: “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 carrying out these goals.”

Andrews (1965) combined Chandler and Drucker's concepts of strategy, describing strategy as "...the pattern of major objectives, purposes or goals...stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be" (Andrews, 1965). He also introduced the concept of the SWOT analysis, seeking to match what the firm can do (internal strengths and weaknesses) with what the firm might do (external opportunities and threats). Andrews (1965) identifies corporate strategy as "the chief determinant of...the processes by which tasks are assigned and performance motivated, rewarded and controlled..." Interestingly, the power of the Andrew's framework for strategic analysis - which provided the basis according to Mintzberg (1990) for the design school, was recognized immediately. The shortcoming of the framework was that it provided little insight into how to assess either internal or external aspects of managing strategically (Harvard Business Review, 1995). In particular it has been argued the separation of strategy formulation and implementation impedes strategy development as a process of learning. A further criticism is that explicit strategy limits strategic flexibility with the firm committed to a clear direction (Mintzberg, 1990) which has been demonstrated in psychology to be difficult to change (Kieser, 1971).

Ansoff's (1965) interest in strategy evolved from a realization that an organization needs a clearly defined scope and growth direction, and his opinion that setting corporate objectives on its own is not sufficient to meet this need. He argues in his classic text *Corporate Strategy* that given the limitations of objective setting, additional decision rules are needed if the firm is to enjoy orderly and profitable growth. Ansoff (1965) takes a more proactive approach defining strategy in terms of strategic decisions which "...are primarily concerned with external, rather than internal, problems of the firm and specifically with selection of the product mix which the firm will produce and markets to which it will sell." Ansoff (1965) perceives the firm's strategy as the "common thread" that gives "...a relationship between present and future product-markets which would enable outsiders to perceive where the firm is heading, and the inside management to give it guidance." Four components of this common thread are identified in his work namely, the product market scope of the firm, a growth vector specifying the anticipated changes in the organization's present product-market position, competitive advantage and synergy. Mutual reinforcement of these four components enhances the firm's probability of success. Ansoff's work according to Mintzberg (1990) provided the basis for the planning school and has been criticized on several grounds. Firstly, under some circumstances planning can undermine commitment to strategy implementation with line managers and some top managers excluded from the process. Second, line managers can resist centralized control imposed by formal planning (Mintzberg, 1990). Thirdly, planning can be quite inflexible in times of environmental uncertainty (Steiner, 1979). Finally, planning constrains synthesis (Mintzberg, 1990).

**Phase 3** In the 1970s there was a move to the third phase of "externally oriented planning" in response to markets and competition as strategic planning enjoyed the peak of its popularity. Planning in this form included a thorough situation analysis and review of competition, an evaluation of alternative strategies and dynamic resource allocation (Gluck et al, 1980). Prescriptive techniques for strategy were at their peak at this time with the planning school dominant (Mintzberg, Ahlstrand and Lampel, 1998) and numerous simplified frameworks for strategic analysis were put forward mainly by industry consultants. These frameworks included

the Experience Curve, the Boston Consulting Group's (BCG) portfolio matrix and the Profit Impact of Marketing Strategies (PIMS) empirical project.

Bruce Henderson, founder of BCG and a former Westinghouse Electric Company general manager, observed that over a period of time unit costs of production declined within a given firm. Henderson explained this observation in terms of the improvements in productive efficiency from experience. The experience curve was developed to provide the basis for estimates of future strategic cost advantages (Clutterback and Crainer, 1990). The experience curve estimated that "the unit cost (in real terms) of manufacturing a product declines approximately 20% to 30% each time accumulated experience doubled" (Naylor, 1982). Given that this relationship holds, then improved market share (and further experience in production) contributing to reduced production costs, gives a competitive advantage against rival firms and provides a barrier to entry for potential rivals. Porter (1982) criticized the experience curve on the basis of its simplistic explanation of unit costs, an inadequate consideration of economies of scale, and the exclusion of market conditions and competitive behavior. Porter (1982) also questioned whether cost behavior considerations in one industry can be applied to another, the extent to which a firm's "experience" is proprietary, and competitors benefiting from a leading firm's "experience". On the positive side of the ledger BCG's experience curve focused attention on the key issues of the value of investment in productive capacity, sources of this investment capital, and resource distribution between divisions in multidivisional firms. The BCG Growth/Share Portfolio Matrix developed from here.

The BCG Growth/Share Portfolio Matrix was the most popular framework devised for structuring portfolio decisions. It is applicable at the corporate rather than the business level and assists in determining resource allocation between divisions in the corporate portfolio (Clutterback and Crainer, 1990). The divisions or Strategic Business Units (SBU) in the corporate portfolio are classified according to the dimensions of market share and market growth rates. A matrix of four categories - "stars", "problem children", "cows" and "dogs" - applies.

Each of the categories, and the SBU's placement within those categories, has implications for organizational learning, investment and cash flow from the respective SBU's. The key shortcoming of the BCG matrix is that it does not address SBU strategy. Further, it considers too few factors to reliably guide strategy at the corporate level, and focuses on cost and growth at the expense of the market environment which also has implications for SBU outcomes (Hax and Majulif, 1983). In his defense, Henderson observes that the matrix was never designed to be prescriptive (Clutterback and Crainer, 1990). The focus of the matrix was to allow managers to think and talk about their business in different ways and experiment with the various interactions between the firm's parts (Clutter back and Crainer, 1990).

**Table 2: BCG Matrix**

	High Market Share	Low Market Share
High Growth	<b>STARS</b> Modest + and or – cash flow	<b>PROBLEM CHILDREN</b> Large negative cash flow
Low Growth	<b>COWS</b> Large positive cash flow	<b>DOGS</b> Modest + or – cash flow

**Source: Clutter back and Crainer, (1990).**

The PIMS empirical project was established by Harvard University academic Professor Sid Schoeffler, an industrial economist. He established a substantial database which facilitated the construction of models of markets. This database also facilitated the analysis of a range of market conditions and strategies. Clutterbuck and Crainer (1990) looking back on this work observe: “(Schoeffler) believed that if only you had a broad enough data base, you could model the behavior of markets sufficiently well to pull the right levers and be reasonably sure of the profits that would result”.

In PIMS, Factors such as rate of growth, degree of market concentration, market share, product quality and the productivity of capital and labor were considered. Porter (1982) argued the PIMS approach had its shortcomings in that it is a highly inductive method with several questions unresolved over the suitability of certain measures employed. Further questions remain over the applicability of PIMS across industries, in particular those industries not included in the database. A final criticism is that PIMS abstracts from the difficulty of managing uncertainty in basing decisions on probabilities obtained from historical data. Naylor (1982) has argued the real benefit of the PIMS project has been the database itself rather than the prescriptive applications.

The strategy literature consistently observes that planning models of the period tended to focus to their detriment on the analysis of internal financial data, became a process that excessively absorbed staff time and energy (Wilson, 1994; Mintzberg, 1994), and did not achieve the positive relationship with firm performance expected (Shrader, Taylor and Dalton, 1984; Scott, Mitchell and Birnbaum, 1981). Later research has shown this point with respect to the planning performance relationship to be contentious (Miller and Cardinal, 1994; Schwenk and Shrader, 1993).

Prescriptive approaches to strategy formulation and implementation were demonstrated to be inadequate in the face of an uncertain business environment for instance; significant external economic shocks such as OPEC I and II) illustrating the shortcomings of the Andrews (1965) and Ansoff (1965) approaches in particular. As a result this period saw the commencement of a trend to shrink strategic planning departments in corporations and reduce their organizational power in response to the lessons taught (Stacey, 1993).

Clearly, the enthusiasm directed toward strategic planning in the early 1970's did not survive for long. Mintzberg (1990) argues that the lesson from this period is that both learning and deliberate strategy is needed, and that these two processes should intertwine. Mintzberg (1978) in his insightful *Management Science* article "Patterns in strategy formation" defines strategy as "a pattern in a stream of decisions". He draws three pertinent conclusions from his observation of the evolution of the strategy paradigm in this decade. First, that the formulation of strategy can be viewed effectively as the interaction between a dynamic business environment and the momentum developed by a bureaucracy. Second, strategy formulation over time tends to follow life cycles. Finally, research of the interplay between intended and realized strategy can lead to the centre of an organizational process with some complexity. These observations remain an important development in the strategy paradigm and provided important impetus for future work.

#### **Phase 4**

In the 1980s, firms" embraced what became known as the strategic management phase - the fourth phase - being the combination of the firm's resources to achieve competitive advantage. This phase included: "first, a planning framework that cuts across organizational boundaries and facilitates strategic decision making about customer groups and resources; Second, a planning process that stimulates entrepreneurial thinking; and third, a corporate values system that reinforces managers" commitment to the company strategy" (Gluck et al, 1980).

The strategy process came to be increasingly performed by line managers with occasional assistance from internal strategy experts operating in fewer numbers compared with the past. Initiatives in the field were driven by unprecedented levels of change and complexity confronting organizations (Prahalad and Hamel, 1994) as firms endeavored to keep pace with environmental developments. At this time there was also a shift from quantitative forecasting to greater use of qualitative analysis (Stacey, 1993). The focus became establishing the firm's mission and vision for the future, analysis of customers, markets, and the firm's capabilities (Wilson, 1994).

During this period there were a number of valuable contributions to the strategy field drawing on related disciplines in the social sciences. According to Porter (1980, 1985, 1990), drawing on the structure-conduct-performance theory in industrial-organization economics made a particularly important contribution in this context. The analytical frameworks he has devised including five forces analysis, the value chain, the diamond model of competitive advantage and strategy as activity system, became valuable tools in strategic management which were lauded by academics and practitioners. This analysis emphasized the industry situation confronting the firm and its position within that industry. Interestingly, Porter's contribution has been criticized (Mintzberg, 1990; Bartlett and Ghoshal, 1991) for narrowing the focus of strategic management. Further, the fields" understanding of internal processes failed to develop at a similar pace (Bartlett and

Ghoshal, 1991). Porter's work was assigned to the positioning school by Mintzberg (1990) on the basis of its focus on a firm's strategic positioning in its market or industry and this approach dominated the decade.

Another valuable contribution grounded in economics was made by writers such as Wernerfelt (1984), Barney (1991) and Peteraf (1993) and others building on the earlier work of Penrose



(1959) in relation to the resource-based view of the firm. Resource based view identifies internal resources as of a firm as competitive advantage and this resources should be inimitable, rare and valuable. The resource-based view assists in addressing weaknesses in the paradigms understanding of the internal processes in Andrews (1965) early work. The significance of this approach is that it has combined the internal analysis of the firm with a more effective understanding of how to use what we know about the internal resources as sources of sustainable competitive advantage for a firm. Its strength is that it explains why some organizations operate more profitably than rivals and how core competence can be put into practice and is helpful in developing diversification strategies that are well reasoned. In this context firms are perceived as very different collections of physical and intangible assets and capabilities. Businesses are in the best position to perform profitably if they have the most favorable allocation of resources with which to execute business strategy (Collis and Montgomery, 1995). The resource-based view of the firm has been criticized for the lack of an emerging consensus with respect to key concepts, terms and frameworks to assess firm capability. Further, there is no one leading writer in this branch of the field - such as Porter is to competitive advantage - to lead the debate (de Wit and Mayer, 1998). These criticisms provide little comfort for practitioners seeking analytical guidance.

### **Phase 5**

By the mid-1980s it was evident that the changes in the evolution of strategic planning into strategic management were not leading to significant improvements in strategy implementation. In addition, at this time there was apparent a greater sense of the importance of organizational culture and internal politics in the strategic management process (Wilson, 1994; Bonn and Christodolou, 1996). The shortcomings of the strategic management process led many experts in the field to emphasize the need for strategic thinking - the fifth phase in the evolution of the paradigm. In this context Stacey (1993) observes: "...that although the procedures and analytical techniques of modern strategic management may not be of much direct practical use, they do create a framework for strategic thinking and, it is assumed, managers who think strategically are bound to act more effectively in dealing with the future."

That the strategic management process provides a framework for strategic thinking is an important foundation in attempting to conceptualize strategic thinking.

It is the contention of this paper then that in the 1990s the paradigm has evolved further with the emergence of strategic thinking to aid and facilitate strategic planning and strategic management. The evolution of the paradigm from strategic planning to strategic management and the importance of strategic thinking reflects the economic, technological and social changes that have taken place since its inception in the mid 1950s, especially since 1984 (Aggarwal, 1987; Prahalad and Hamel, 1994) with higher levels of environmental uncertainty evident placing greater demands on the strategy process in organizations. Indeed, the day-to-day challenges of management bring forth issues that test established frameworks, policies and procedures within organizations designed to deal with them. The major task of managers is to determine when to apply these established frameworks, policies and procedures and when to ignore them and develop new solutions. Strategic thinking facilitates this process (Stacey, 1993).

Ohmae (1982) was the first of the leading management writers to talk about strategic thinking in his text *The Mind of the Strategist*. Here Ohmae (1982) argues that successful business strategies flow from a particular mental approach, which is essentially intuitive and creative rather than rational. The evolution of the paradigm has set off a new debate on the merits of balancing intuitive, creative, divergent thought with rational, analytical, convergent analysis.

A dialectic debate has evolved with writers in the descriptive and integrative literature such as Ohmae (1982), Peters and Waterman (1982), Mintzberg (1994) and others arguing the case for strategy as art, whilst writers such as Porter, Andrews (1965) and Ansoff (1965) from the prescriptive literature are used to support the argument that strategy should be conducted as science. Interestingly, Mintzberg (1994) is particularly strong in his support for the use of intuition in preference to analysis, criticizing the timeliness and availability of hard data though more recent developments in information technology (Ferguson, 1996; Sauter, 1999) bring this argument into question. There is a further group of writers who see the need to balance the use of intuition and analysis in the strategy literature (Wilson, 1994; Liedtka, 1998). Here Liedtka

(1998) makes a meaningful observation: "...the literature draws a sharp dichotomy between the creative and analytic aspects of strategy-making, when both are clearly needed in any thoughtful strategy-making process." This debate is elaborated in a later working paper. It is interesting that Mintzberg et al (1998) updating Mintzberg's (1990) contribution on planning schools recognize a new "eclecticism" in the paradigm in the light of recent developments as the strategy process evolves in trying to cope with the demands of an uncertain business environment.

Certainly, there has developed a greater appreciation in organizations of the usefulness of the strategic management framework, organizational learning, organizational politics, organizational culture, cognition and reasoning, the related field of decision-making, and group dynamics in recent years as firms strive to cope with change and complexity in the business environment.

## 5.0 CONCLUSION

It is important to understand the concept of strategy to appreciate the difficulties and make a more representative valuation of what is possible. A clear understanding accelerates adaptation of the process.

Strategic management is critical to the development and expansion of all organizations, as it represents the science of crafting and formulating short-term and long-term initiatives directed at optimally achieving organizational objectives.

There is little doubt that the strategic management field will continue to grow and develop in the future. Strategy retains its importance in these times of profound and increasingly rapid change in technology and globalisation. Organisations must have a continually updated strategy to renew and update their competitive advantage.

Strategy management is also viewed as series of steps. Therefore, the strategic of management process is best studied and applied using a model. It is revealed from the study that a review of the key strategic management models shows that they all include the following steps: performing an

environmental analysis, instituting organizational direction, formulating organizational strategy, implementing organizational strategy, evaluating and controlling strategy.

This paper explores the origin and the development of strategic management through its various phases and how the concepts and practices have evolved over time. This discussion has brought forth key appreciations and lessons. Moving forward, evolution will continue as new paradigms and phases emerge

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