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## **THE EVOLUTION OF THE CONCEPT OF BUSINESS STRATEGY AND THE STRATEGIC PLANNING PROCESS**

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### **RESUMO**

Neste artigo, são analisados os conceitos e teorias mais relevantes da estratégia empresarial e a forma como estes evoluíram ao longo do tempo. De forma a atingir estes objectivos, os seguintes tópicos foram revistos: evolução da estratégia de negócios como área de estudo; o conceito e processo de planeamento estratégico.

### **ABSTRACT**

In this paper the most relevant concepts and theories within the field of business strategy and how they developed over time are described and analysed. To achieve these objectives, the following topics in the field under study are revised: evolution of business strategy as a field of study, the concept and process of strategic planning.

### **INTRODUCTION**

This paper reviews the literature on strategy, strategic planning and strategic management and defines the key terms in these areas. The concepts and components of strategy and strategic planning are reviewed and linked to organisational activities. The processes related to the development of business strategies are also presented and analysed. Finally, the implications of the literature on business strategy and the concepts and characteristics presented are used to demonstrate the relevance it has for the company's success and survival.

### **DEFINITION OF KEY TERMS**

As with other management subjects, business strategy has its own central concepts and processes. In order to familiarise the reader with the technicalities of this field of study, the key terms in business strategy are presented and explained in Table 1.

## **THE EVOLUTION OF THE CONCEPT OF BUSINESS ...**

<b>Strategy</b>	pattern or plan that integrates an major goals, policies, and action sequences into a cohesive whole
<b>Business environment</b>	outside forces that directly or indirectly influence an organisation's goals, structure, size, plans, procedures, operations, input, output, and human relations
<b>Strategic management</b>	managerial decisions and actions that help to ensure that the organisation formulates and maintains a beneficial fit with its environment
<b>Strategic planning</b>	a future oriented process through which organisations define their objectives and develop adequate strategies and resources allocation to achieve them
<b>Goals</b>	long run organisational aims
<b>Objectives</b>	short term, operational targets
<b>Decision making</b>	formulation and selection of strategies that best meet the company's objectives

*Key terms in strategic planning and environmental scanning*

Having presented the key terms in business strategy, a review of the relevant literature in this field follows. The literature now presented will help clarify the concept of strategy and how it was adopted into the business context; the process of strategic planning and its main components; and the central theories regarding the evolution of management systems until the term 'strategic management' is developed.

### **THE EVOLUTION OF BUSINESS STRATEGY**

Adopted from the military field, business strategy can be seen as having certain specific characteristics and as being composed of a series of central concepts. These, inform the strategic activity of organisations. Some of these core concepts are: strategies, organisational goals and objectives, strategic planning, tactical planning, levels of strategy, and decision making. Before looking at these concepts in more detail, lets first analyse how the term strategy evolved and has been brought into the business field.

#### **The origin of strategy**

The concept of strategy can be traced in ancient times with its central idea being: to gain advantage over someone or something. The evolution of the concept of strategy is well illustrated by Henderson in his 1989 article entitled:

"The origin of strategy". In this study he goes back in time and identifies competition as a first stage before strategy. As he states, "[strategy] ... began with life itself." In fact, if we take a deeper look at this subject and its meaning, we may say that the struggle for life has been a permanent process of competition. According to Henderson, this evolutionary process leads us to the origin of strategy.

Of course, natural competition takes place without any particular strategy except the will to survive. However, as this author points out, survival depends on the way the contenders adapt themselves to the changing conditions, and only the fittest survive. Some of the elements of the business environment identified by Henderson (survival, contenders, adaptation and changing conditions) and the way companies deal with them, allow an identification of the main differences between "Natural competition" and "Strategic competition". The first is "evolutionary" and the second is "revolutionary". From this viewpoint, it can be said that strategy is the way to plan business evolution (Henderson 1989).

A relevant contribution to establishing the relationship between the origins of strategy and its application to the business field is that by Quinn (1992). He points out that the origins of strategy can be found in much earlier times as a consequence of "Military-diplomatic strategies". Later, these main ideas and concepts were developed and tested until they became a "coherent body of principles". Nowadays, strategies are the old concepts which have been adapted to fit the particular needs of the current times and environments.

### **The concept of business strategy**

The adoption of the term 'strategy' into the business context led to the development of different concepts in accordance with the theorists' perspective. On the other hand, and as research revealed, organisations also practice different types of strategy. Glueck (1980), for instance, defines strategy as a "unified, comprehensive, and integrated plan ... designed to ensure that the basic objectives of the enterprise are achieved". There are other definitions of strategy that use the same approach. For instance, from Quinn's (1980) viewpoint, strategy is the pattern or plan that integrates an organisation's major goals, policies, and action sequences into a cohesive whole. According to this definition, strategy can be seen as the framework that structures all the components needed to put the mission of the company into practice.

Strategy as a planning process is what Henderson (1989) stands for when he defines it as a deliberate search for a plan of action that will develop a business's competitive advantage and compound it. Other approaches to the strategy concept are also important to help clarifying this concept and

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present a broader view of the field of strategy conceptualisation. Johnson and Scholes (1993) for instance, approach strategy and the management of strategy from two different but complementary stands: as a matter of essentially economic analysis and planning; and as a matter of organisational decision making within a social, political and cultural context. According to this perspective, strategy is the direction and scope of an organisation over the long term: ideally, which matches its resources to its changing environment, and in particular its markets, customers or clients so as to meet stakeholder expectations (Johnson and Scholes 1993). This definition of strategy has other concerns besides the planning process, it also pays special attention to the main players in the internal and external environment of the organisation.

In an attempt to broaden the concept of strategy in order to cover the whole organisation as a strategic body, Mintzberg (1992) defines strategy: as a "plan", as a "ploy", as a "pattern", as a "position", and as a "perspective". As a plan, strategy is seen as some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with a situation. As a ploy, strategy is seen as a specific 'maneuver' intended to outwit an opponent or competitor. As a pattern, strategy is consistency in behaviour, whether or not intended. As position, strategy can be seen as a means of locating an organization in an 'environment'. Finally, as a perspective, strategy is a chosen position, and an ingrained way of perceiving the world.

Each of these definitions deals with a specific aspect of the organisation and they complement each other. If we take a closer look at these five concepts other important issues arise. Looking at strategies as plans we can identify two essential characteristics: they are made in advance of the actions to which they apply, and they are developed consciously and purposefully (Mintzberg 1992). We can say that the plans developed by managers are what they expect organisations to achieve, in a certain sense it reflects their wishes and ideas for the organisation. As plans, strategies may be general or specific, and in the specific sense strategy can be a ploy. In this case, strategy has to do with direct competition and the manoeuvres employed to gain advantage. The application of plans creates certain types of action, intended or not, and when this behaviour is consistent it becomes a pattern, which is seen by Mintzberg as another concept of strategy. As position, strategy deals with organisations in their competitive environment, where they are located and how they keep their position in that environment. As a perspective, strategy looks inside the organisation, indeed, inside the heads of the collective strategist. In this definition, one of the most important aspects is that strategy is one idea, a concept, shared by the organisation as a whole.

An important difference between strategy as a plan and strategy as a pattern is that the first definition can be seen as an "intended" strategy and the second can be seen as a "realized" strategy (Mintzberg 1992). If we differentiate between intended and realised strategies, then we can distinguish "deliberate" strategies, where previous intentions were realised, from "emergent" strategies, where patterns are developed in the absence of intentions, or despite them. Finally, Mintzberg argues that while plans may go unrealised, patterns may appear without preconception.

The difference between intended strategies and realised strategies is very important because, what managers say will be the company's action and what really happens is not always the same thing. In this context and as stated by Johnson and Scholes (1993), realised strategy is much more important than intended strategy. In fact, the strategy realised by the company is the one that affects the whole behaviour of the organisation and not the planned strategy.

It is apparent by now that strategy can be approached from basically two different perspectives: what an organisation intends to do, and what an organisation eventually does, no matter if its actions were originally intended. In the context of this paper both perspectives are relevant. However, as the intended, active, role of strategy has been the most emphasised in previous research, much less information is available on the realised approach to strategy. As a result, the active formulation of strategy, known as strategic planning (Stoner and Freeman 1986), will be presented and discussed in greater depth. Before this, the development of management systems (from budgeting-control to strategic management) is briefly analysed so as to justify the adoption and use of the term strategic planning.

### **The development of management systems**

Aaker (1984) presents an interesting perspective on the evolution of the strategic process. He notes that this process has been described in several ways over the years such as: budgeting and control, long-range planning, strategic planning, strategic management, and strategic market management. As he states, these terms have similar meanings and are often used interchangeably. In fact, if we analyse some of these concepts the similarity becomes clear.

Wright et al. (1992) define strategic management in its broadest sense, as managerial decisions and actions that help to ensure that the organization formulates and maintains a beneficial fit with its environment. On the other hand, Andrews (1987, p. 10) presents a different definition for what he calls "corporate strategy":

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.

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A different approach is that proposed by Aaker (1984) when he defines strategic market management as a management system that is intended to help management precipitate and make strategic decisions. For Johnson and Scholes (1993), strategic management is not just the management of the process of strategic decision making, nor is it only concerned with taking decisions about major issues facing the organisation. Strategic management is different from other aspects of management as shown in Table 2, and it is also concerned with ensuring that the strategy is put into effect. They identify three main elements within it:

- Strategic analysis - to understand the strategic position of the organisation.
- Strategic choice - formulation of possible courses of action, their evaluation and the choice between them.
- Strategy implementation - planning how the choice of strategy can be put into effect, and managing the changes required.

Wright et al. (1992) also identify three phases within strategic management for the development of business strategies. These are:

Strategy formulation - formulation of corporate, business, and functional strategies that will match the organisation's strengths and weaknesses with its environment's opportunities and threats.

Strategy implementation - implement the strategies.

Strategic control - activities to ensure that the organisation's goals are attained.

*Differences between strategic and operational management*

Strategic Management	Operational Management
<ul style="list-style-type: none"> <li>• Ambiguity</li> <li>• Complexity</li> <li>• Non-routine</li> </ul>	<ul style="list-style-type: none"> <li>• Routinised</li> </ul>
<ul style="list-style-type: none"> <li>• Organisation-wide</li> <li>• Fundamental</li> </ul>	<ul style="list-style-type: none"> <li>• Operationally specific</li> </ul>
<ul style="list-style-type: none"> <li>• Significant change</li> </ul>	<ul style="list-style-type: none"> <li>• Small- scale change</li> </ul>
<ul style="list-style-type: none"> <li>• Environment or expectations driven</li> </ul>	<ul style="list-style-type: none"> <li>• Resource driven</li> </ul>

*Source: Adapted from Johnson and Scholes (1993).*

In analysing the concept of strategic planning, we can see that it has been defined in a very similar way to the concept of strategic management. From the following definitions, it is apparent that they comprehend basically the same elements:

[Strategic planning is the]... process of determining the major objectives of an organization and the policies and strategies that will govern the acquisition, use, and disposition of resources to achieve those objectives. (Steiner 1969:34)

... the development of long range plans for the effective management of environmental opportunities and threats in the light of corporate strengths and weaknesses. Such planning includes establishing the corporate mission, specifying objectives, developing strategies, and setting policy guidelines. (Wheelen and Hunger 1989:14).

Due to the proximity of the concepts of strategic planning and strategic management, the fact that they are often used interchangeably and its widespread use amongst managers (Costa 1997) even when the analysis of their behaviour and practice reveals other realities as the referred study demonstrates, for the remaining of this paper the concept of strategic planning will be used to explain the process of strategy development in organisations.

### **STRATEGIC PLANNING: CONCEPT AND PROCESS**

To keep pace with market uncertainties, and to be prepared to develop the best answers to actual and potential opportunities and threats, organisations must be flexible and adopt a different approach to strategy development. However, before strategies can be developed, organisations must know what their goals and objectives are so that strategies can then be developed in accordance. For this reason, the definition of organisational goals and objectives is the first stage in the strategic planning process, and the one next analysed in this report.

#### **Organisational goals and objectives**

According to Stoner and Freeman (1986) the goals of an organization provide its basic sense of direction. The importance of organisational goals can be inferred by the fact that almost every review of the strategic planning process includes a discussion of the organisational goals and objectives (Poole 1990). According to Poole, the meaning or ranking of these terms is not consistent. This was first recognised by Steiner (1979) who defined objectives as the broader term with goals as steps towards reaching objectives. Other researchers like Ackoff (1970), Vancil (1977) and King (1979) also shared this view. Despite the fact that several authors view objectives as the broader concept, the more common view and the one adopted here is that goals are the long run organisational aims and objectives are the short term, operational targets (Poole 1990; Hofer and Schendel 1978; Kahalas 1976).

Once the organisation has defined the objectives that it must reach in order to achieve its goals the different actions involved in the process of reaching these objectives should be planned (Stoner and Freeman 1986). The process of selecting an organisation's goals and objectives, and determining the policies and programmes necessary to achieve them is seen as the strategic planning process. The main elements of this process as well as its characteristics and how the process is organised are now presented and discussed.

### **Strategic planning definition and characteristics**

As argued by Stoner and Freeman (1986) there is no universally accepted definition of strategic planning and different writers also use different terms for the same concepts. Due to this variety of views and approaches, it is relevant to review the definitions offered by some of the most influential authors in the field so as to shed some light into this discussion.


By the end of the 1960s Steiner (1969:34) defined strategic planning as the "... process of determining the major objectives of an organization and the policies and strategies that will govern the acquisition, use, and disposition of resources to achieve those objectives." More recently other authors have defined strategic planning in a similar way. Wheelen and Hunger (1989:14), for instance, define strategic planning as:

... the development of long range plans for the effective management of environmental opportunities and threats in the light of corporate strengths and weaknesses. Such planning includes establishing the corporate mission, specifying objectives, developing strategies, and setting policy guidelines.

In a more succinct way Simmons (1988:18) defines strategic planning as "... an attempt to look ahead to where you want to be, coupled with a program to get you there." Another concise definition is put forward by Stoner and Freeman (1986:115) who look at strategic planning as "... the formalized, long-range planning process used to define and achieve organizational goals."

Despite the variances in the definitions, strategic planning can be seen as having certain specific characteristics (Poole 1990; Stoner and Freeman 1986):

- it deals with basic questions like: "What business are we in and what business ought we to be in?" and "Who are our customers and who should they be?";
- it provides a framework for more detailed planning and for day-to-day decisions;

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- it is an activity which emphasises the process of planning rather than the production of a written document;
  - it is a continuous, cyclical process which encourages the participation of all members of staff to be affected by the decisions made;
  - it is a future oriented process requiring an analysis of the organisation's present and expected external environment, and it involves a longer time frame than other types of planning;
  - it requires an overall vision of the main purpose of the organisation and it helps focus the organisation's energies and resources on high-priority activities;
  - it provides the development of alternative courses of action which anticipate potential changes in the organisation or its environment;
  - it is a top-level activity in the sense that top management must be actively involved.

### **Strategic and tactical planning**

For a better understanding of the strategic planning process this should be distinguished from other forms of planning. Traditionally the development of strategies was described as long-range planning which did not take into account the external environment of the organisation and considered the future as predictable (Ansoff and McDonnell 1990; Mintzberg 1973). As it is conceptualised and practised today strategic planning assesses the external and internal environments of the organisation and considers the future as highly unpredictable (Mintzberg 1994; Ansoff and McDonnell 1990). These are also the key characteristics that make strategic planning being seen as an interchangeable concept with strategic management.

There are other types of planning which are normally seen as linked to strategic planning. These are tactical and operational planning. As argued by Steiner (1969), tactical planning has to do with the selection of means to achieve the goals defined in the strategic planning process, it is more limited in scope and concentrates mainly on the internal aspects of the organisation. The operational planning can be seen as the means through which the strategic plans are implemented. Sometimes operational planning is used interchangeably with tactical planning (Moskow 1978). A clearer distinction between strategic and operational planning is that provided by Stoner and Freeman (1986:115), where they see the former as focusing on doing the right things (effectiveness), and the latter as doing things right (efficiency). According to these authors, because strategic planning provides guidance and boundaries for operational management, the two types overlap. In fact, and as these authors contend, both are necessary as effective management must have a strategy and must operate on the day-to-day level to achieve it.

### **The importance of strategic planning**

The importance of strategic planning for managers and organisations has grown in recent years (Stoner and Freeman 1986). In providing a framework for activities within the organisation, strategic planning leads to improved managerial and organisational performance. As stated by Stoner and Freeman (1986:116):

**378** Most organizations now recognize the importance of strategic planning to their long-range growth and health. Managers have found that by specifically defining the mission of their organization they are better able to give it direction and focus its activities. Organizations function better as a result and become more responsive to a changing environment. ... Strategic planning, then, helps us develop a clear-cut concept of our organization. This, in turn, makes it possible to formulate the plans and activities that will bring our organization closer to its goals.

Another relevant aspect of strategic planning is that it enables managers to deal with the rapidly changing organisational environment. According to Stoner and Freeman (1986), when the pace of change was slower, managers could operate based on the assumption that the future would be similar to the past. In fact, it was possible to establish goals and plans just by extrapolating past experiences. This is not the case anymore. As Maljers (1990) argues, nowadays managers have to operate in a world that is always changing and nothing is constant for long, whether in technology, politics or society. To be able to cope with the pace of change managers "... must look farther ahead than ever before. This means a longer lead time between current decisions and their future results." (Stoner and Freeman 1986:116).

### **Formalising the strategic planning process**

Hofer and Schendel propose an intended approach to strategy and argue that if strategy is important its formulation should be managed and not left to chance (1978:5). As a consequence, organisations need formalised, analytical processes for formulating explicit strategies. According to these same authors there are several important reasons for the use of such procedures:

- to aid in the formulation of organisational goals and objectives;
- to aid in the identification of major strategic issues;
- to assist in the allocation of discretionary strategic resources;
- to guide and integrate the diverse administrative and operating activities of the organisation;

- to assist in the development and training of future general managers.

The nature and size of the company, however, will determine the kind of formal strategic planning process of the organisation (Stoner and Freeman 1986). Vancil and Lorange (1977:22) agree that in smaller companies strategic planning is a less formal, almost continuous process. In fact, based on their research they state that:

The president and his handful of managers get together frequently to resolve strategic issues and outline their next steps. They need no elaborate, formalized planning systems. Even in relatively large but undiversified corporations, the functional structure permits executives to evaluate strategic alternatives and their action implications on an ad hoc basis. The number of key executives involved in such decisions is usually small, and they are located close enough for frequent, casual get-togethers.

In large and diversified organisations the situation is different. The majority of them use the product/market division form of organisational structure to allow decentralised decision making involving many 'responsibility-center managers' (Vancil and Lorange 1977). From these authors viewpoint, because many managers must be involved in decisions requiring co-ordinated action, informal planning is almost impossible.

Stoner and Freeman (1986) argue that the reality for most organisations is not a choice between no planning and a complete, finely tuned strategic planning system. Instead, the choice is more between no explicitly stated strategy and a conscientious attempt to develop one. It is these authors' perspective that in an organisation already accustomed to sophisticated operational planning, the choice may be between a very rough, informal process of developing a strategy and a somewhat more formalised process. Specifically, this means that the practical option to most organisations is to move toward more formality in strategy making.

### **Levels of strategy**

No matter the formality of the strategy making or the size of the organisation, large or small, the processes in undertaking strategic planning are essentially the same and can be seen as happening at three different levels: headquarters - corporate level / corporate strategy; unit - business level / business strategy; and department - functional level / functional strategy (Vancil and Lorange 1977). Other authors (Johnson and Scholes 1993; Wright et al. 1992; Andrews 1987; Hamermesh 1986; Hofer and Schendel 1978) also consider strategy in organisations as being divided into levels. Johnson and Scholes (1993) share the same view as Vancil and Lorange (1977) of three different levels of strategy in an organisation: the "corporate" level which deals with the overall scope of the organisation, the "competitive or business" level related with

how a company should compete in a market, and the "operational" level focused on how the different functional areas of the organisation contribute to the other levels of strategy. Conversely, Andrews (1987:12) defines two levels of strategy:

In an organization of any size or diversity, "corporate strategy" usually applies to the whole enterprise, while "business strategy" less comprehensive, defines the choice of product or service and market of individual business within the firm. Business strategy is the determination of how a company will compete in a given business and position itself among its competitors. Corporate strategy defines the business in which a company will compete, preferably in a way that focuses resources to convert distinctive competence into competitive advantage.

Hamermesh (1986) also identifies three different levels of strategy in organisations that together form the overall strategy of the firm: institutional strategy, corporate strategy, and business strategy. For the last two concepts he shares the same view as Andrews, but by institutional strategy Hamermesh means "the basic character and vision of the company."


The differentiation between the levels of strategy in an organisation helps define the orientation of the company, its relation with the stakeholders, the markets where it is competing and how it is competing in these markets. The information inputs will also be defined according to the strategic aims of each level and the information gathered monitored according to its final use, the development of corporate, business or functional strategies.

Also important for the success of strategic planning is the way in which different levels in the organisation contribute to the strategic planning (Johnson and Scholes 1993). According to these authors, strategic plans at corporate level must build upon the strategies at lower levels within the organisational hierarchy. Johnson and Scholes refer to this as the bottom-up element of the strategy process. The reverse of this element is the top-down approach to strategy, where the company has to work together to accomplish the corporate goals. To better understand the strategic planning process let us now look at how this is organised.

### **The process of strategic planning**

According to Poole (1990:40), the strategic planning process can be seen as "a continuous cycle in which the activities occur simultaneously or in varying order." According to the same author, nearly all models of the strategic planning process encompass the following elements or activities:

- environmental scanning;

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- developing a mission statement;
  - setting goals and objectives;
  - developing implementation plans;
  - implementing the plans;
  - monitoring the progress; and
  - formal evaluation.

By performing these activities, organisations are able to identify the opportunities and threats posed by the business environment and develop appropriate plans to achieve their goals and objectives (Poole 1990). Drucker (1974) believes that strategic planning does not deal with decisions that are made in the future but with decisions made in the present but which will affect the future and which concern the environment where the organisation must operate.

To engage in long-term strategic decisions, managers need to be aware of the external environment as well as the internal organisational resources (Webster 1994). Hofer and Schendel (1978) see this as a matching process, which is critical for the managers' work. On the other hand, the development of strategic planning has enabled organisations to plan for uncertainty instead of just planning within their current situation (Webster 1994).

Gilbert and Lorange (1977:37) define five general "musts" that represent necessary, although not sufficient, conditions for the success of a formal planning process:

1. One of the aims of top management must be that they make use of the formal planning process as a support to formulate strategic choices.
2. The overall purpose of going through a formal planning process must be entirely understood at all the levels of the organisation that are involved.
3. There must be at least a minimum of common requirements regarding the standardisation of contents, formats, deadlines, methods, etc., of the formal planning system.
4. The formal planning system must be integrated with the other management systems of the company, such as, for instance, its management control system or management information system.
5. Line managers must be centrally involved in the formal planning process.

As seen by Gilbert and Lorange, although these five rules cannot ensure that the formal planning process will be successful, if they are observed, the chances of success will improve greatly.

Despite the benefits attributed to the strategic planning process research by Ansoff et al. (1976) and Costa (1997) found that not all organisations use strategic planning in helping them to manage their way forward. In fact, many

organisations were still using the old long-range planning techniques based on the extrapolation of the past. According to Ansoff et al. the problem with these methods is that they lack an analysis of the alternatives, which in essence is needed if the organisation is hoping to adopt successful strategic plans.

For strategic planning to be effective Ansoff (1988) proposes that organisations need to be totally aware of their environment. For this to be possible organisations need to:

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- become more aggressive;
- match their capabilities with the opportunities;
- change their internal culture to live in the new environment.

However, according to Maljers (1990), planning with a very long horizon obviously has its dangers, because, he argues, long-run changes are not well understood and are poorly forecast. Maljers defends a more flexible approach to strategic planning and strategy formulation. He sees careful analysis as vital for strategy formulation but he also thinks that it is necessary to avoid spending excessive time analysing at the expense of action. What he proposes is the need for a both realistic and pragmatic approach towards strategy formulation. Mintzberg (1994:416) also defends a more flexible approach to planning where strategy develops more incrementally than as a very formalised and structured process. However, as he states, "Too much planning may leads us to chaos, but so too would too little, and more directly."

Traditionally, organisations were expected to make strategic decisions only after exhaustive analysis of both their competitive advantage and the industrial environment followed by careful planning (Maljers 1990). After examination Maljers concluded that actual company behaviour suggests that many firms operate in a very different way. In fact, decisions are made quickly, based on experience and intuition as well as thorough analysis. To better understand how less structured planning and strategic decision making can occur let us briefly review this process.

### **The process of strategic decision making**

Hofer and Schendel (1978:182) state that "The purpose of strategic decision making at the corporate level is the formulation and selection of strategies that best meet the objectives of the corporation." Eisenhardt and Zbaracki (1992) see strategic decision making as crucial because it involves those fundamental decisions, which shape the course of the organisation. These authors define a strategic decision as one that is important in terms of the actions taken, the resources committed, or the precedents set.

Johnson and Scholes (1997:58-61) look at the decision process as having four different stages:

6. Issue awareness: the recognition that 'something is amiss', that a state of affairs exists which need remedying, or that an opportunity exists for development.
7. Issue formulation: the collection of information about, and examination of the circumstances of, the issue and the formulation of an organisational view about it.
8. The development of solutions: the generation of possible solutions.
9. The selection of a solution: the means by which a decision about what is to be done is reached.

According to Johnson and Scholes (1997), the awareness of a strategic issue normally occurs at an individual or small group level, it is not likely to be an analytical process but rather based on people's previous experiences. The issue formulation stage involves a number of processes. Normally, information gathering occurs but not necessarily in a highly structured and objective manner. The most common is for information to be sought and gathered on a verbal and informal basis, particularly among more senior management. However, this may be complemented with a more formal analysis. As argued by Johnson and Scholes (1997:60):

... the rationalisation of information so as to clarify the situation draws heavily on managerial experience. The role of information generated from more formalised analysis is often to post-rationalise or legitimise managers' emerging views of the situation.

In respect of the development of solutions, Johnson and Scholes state that managers look for ready-made solutions through memory search, in which the managers look for known, existing or tried solutions; or passive search, meaning that managers will wait for possible solutions to be thrown up. This process of developing solutions may overlap with the processes of selecting solutions. In fact, as seen by these authors, the two stages may be seen as part of the same process where a limited number of potential solutions gradually get reduced until one or more emerges.

The strategic decision process is a fundamental aspect of the organisation with impact on the motivation and morale of the staff (Child 1984). In fact, Child argues that motivation and morale may be depressed if decisions appear to be inconsistent and arbitrary in the absence of standardised rules. On the other hand, and according to the same author, decision making may be delayed and lacking in quality if the necessary information is not transmitted on time to the appropriate people, and decision-makers are overloaded due to insufficient delegation.

At the same time, according to Maljers (1990), the developments in information technology mean that companies are faced with growing amounts of information. As a result the pace at which decisions need to be made also increase. In

this context, Maljers argues that for a business to remain competitive the use of intuition is inevitable, even where strategic decisions are carefully analysed. Another relevant aspect to take into account is the decision making environment, and this, according to Quain, Render and Higgins (1990), depends on the amount of information that is available.

## CONCLUSION

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In reviewing the strategic planning process, the concepts and characteristics presented reflect the relevance it has for the company's success and survival. From the differing aspects highlighted, however, some can be seen as having particular importance for the implementation of this process. These are:

- the provision of a framework for long term detailed planning and for day-to-day decisions;
- emphasis on the process of planning rather than on the production of a written document;
- continuous, cyclical process which encourages the participation of all members of staff to be affected by the decisions made;
- future oriented process requiring an analysis of the organisation's present and expected external environment, involving a longer time frame than other types of planning;
- overall vision of the main purpose of the organisation and focus on high-priority activities;
- provision of alternative courses of action which anticipate potential changes in the organisation or its environment;
- top-level activity in which top management must be actively involved.

These characteristics have particular relevance because they provide the conditions for the strategic planning process to be used by both companies where strategy is intended and realised. In fact, by putting the emphasis on the process of planning rather than on the production of a written document, it is likely that the flexibility allowed will make it more adequate to face today's rapidly changing environments.

Being a continuous and cyclical process that encourages the participation of all members of staff to be affected by the decisions made, the strategic planning process guarantees the motivation and commitment needed for its success. On the other hand, the fact that it is a future oriented process requiring an analysis of the organisation's present and expected external environment, it takes into account not just the existing strengths and weaknesses of the organisation but also potential opportunities and threats.

By providing alternative courses of action, which anticipate potential changes in the organisation or its environment, the strategic planning process supports top-level decision making so requiring its support and involvement to guarantee the success of this process.

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