Lecture 9 : Part 1

SCHOOLS OF THOUGHT IN STRATEGIC MANAGEMENT:

Mintzberg, Ahlstrand and Lampel (1998) identified 10 key schools of thought, which they then classified into three groupings. The first they call ***Prescriptive Schools***, ones that are 'more concerned with how strategies should be formulated…'. This grouping comprises the ***Design, Planning and Positioning*** Schools. They then describe a second main group, which are termed ***Descriptive Schools***, comprising ***Entrepreneurial, Cognitive, Learning, Power, Cultural and Environmental Schools***. These set out not to prescribe how strategy should be made but rather to describe how it is made in practice. The final group comprises just one school, which is the ***Configurational*** one.

Part one: The Prescriptive Schools

   1. The Design School

This approach sees strategy formulation as a conceptual process. It has been generally associated with the Harvard Business School. One of the earliest works was *Selznick's Leadership in Administration (1957).* Selznick introduced the notion of distinctive competencies. This school's basic text is *Business Policy: Text and cases (1965)* by Learned et al. Better known today is *Alfred Chandler's Strategy and Structure (1962).*

More recently this approach has been represented in the ***SWOT model (Strengths, Weaknesses, Opportunities, Threats),*** which effectively marks the position of this school in spanning the process of strategic management, from the recognition of environmental influences on the business in the form of opportunities and threats, and the need for an objective appraisal of the strengths and weaknesses of the business compared to competitors. Mintzberg, Ahlstrand and Lampel (1998) offer a number of *critical comments* on this approach:

- It ignores the process of incremental learning and the 'emergence' of strategy.
- It ignores the influence of the existing structure and culture of the organization.
- The role of the chief executive is overemphasized.
- It is questionable how far an organization can determine its own strengths and weaknesses.
- It leads to inflexibility and cannot cope with environmental turbulence.
- It creates an artificial separation between strategy formulation and implementation.

   2. The Planning School

This stems from the work of Igor Ansoff (1965) whose book Corporate Strategy is another classic text in the field. Another major contributor is George Steiner (1969) with Top Management Planning. The stages in the planning model are:

- Set objectives.
- External audit, including scenario building, industry analysis and competitor analysis.
- Internal audit, i.e., strengths and weaknesses.

- Strategy evaluation. Several possible strategies are delineated(described) and evaluated with the aim of selecting the best. The comparisons are made chiefly in financial terms using such techniques as risk analysis and the various methods associated with calculating *shareholder value*.
- Strategy operationalization. This involves a whole hierarchy of strategies and sub-strategies. Long-term plans sit on top, followed by medium-term ones and short-term annual operating plans, each with associated targets and budgets.
- Scheduling – the timetabling of the whole process.

Along with the planning approach came the planners whose task is to prepare strategic plans for top management's approval. Mintzberg and his colleagues argue that the planning approach 'ran into trouble in the early 1980's when the activity was cut back in many companies. Most dramatic was its emasculation(=*less powerful or less effective*) at General Electric, the company that "literally wrote the book on the subject".' Despite this, one of the major journals in the field still carries the title Long Range Planning, while the UK association known as the Strategic Planning Society commands healthy support. Mintzberg's book (1994) The Rise and Fall of Strategic Planning tells the full story.

3. *The Positioning School*

This approach dates from the publication, in 1980, of Michael Porter's Competitive Strategy. The new idea was that only a few key or generic strategies are desirable or defensible in any given industry. Mintzberg summarizes the premises of this school:

- Strategies are generic positions in a market-place.
- That market-place is economic and competitive.
- The strategy formulation process is therefore one of selection of a generic position based on analysis.
- Analysts (in practice usually consulting firms) play a key role.
- Strategies come out of this process 'full blown'.

Porter's work includes, as well as his concept of generic strategies, a framework of analysis known as *the Value Chain*. The origins of this school are traceable to classic works on military strategy such as Sun Tzu's *The Art of War (1971)* and Clausewitz's *On War*, the link being the treatment of the market-place as a battlefield. The development of this school is associated with the growth of specialized consulting firms in the strategy field, ones like *The Boston Consulting Group with their Growth-Share Matrix and The Experience Curve* and PIMs with its large empirical database. In their critique of this school Mintzberg and his co-authors make the extreme assertion: 'no one has ever developed a strategy through analytical technique. Fed useful information into the strategy-making process: yes. Extrapolated(القياس أو الاستقراء) current strategies or copied those of a competitor: yes. But developed a strategy: never.' The Descriptive Schools Amongst the Prescriptive group of schools the Design School is the one most characterized by having a single person as its central actor.