

Emerging trends Shaping contemporary BUSINESS STRATEGY

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Review

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This study constitutes a theoretical review of existing literature relevant to the subject. The study examines and briefly discusses salient issues in conventional business strategy formulation and execution. It identifies and lays significant emphasis on the key emerging trends that have shaped contemporary business strategy formulation and execution. The key trends identified and discussed are; the inclusion of the bottom of pyramid staff and lower level managers, role of technology, outsourcing, alliances, consolidations and networks, globalization, environmental impacts, emphasis on decisions rather than structures, work-life balance, culture, strategic architecture, facilities management, diversification and knowledge management.

Key Words: Strategy, strategy formulation, strategic planning, strategy execution, emerging trends and business environment.

INTRODUCTION

Govindarajan and Trimble (2012) view strategy formulation and execution as an analytical, data-driven process that rigorously identifies customer needs, differentiates the company from rivals, and maximizes profits. Cocks (2010), argues that strategy formulation is usually regarded as the exclusive domain of senior management because it rewards creativity. Effective strategy execution rarely gets as much attention as formulation yet experienced managers appreciate that well crafted visions and strategic plans are useless if they cannot be effectively executed. Tsiakkios and Pashiardis (2002) observes that changing trends within the business environment affect the performance of organizations and therefore, have a bearing on how strategies are formulated and executed by organizations. Craig (2011) supports these views that to be successful, a business manager must find a fit between what the business environment dictates and what the firm provides. Kaplan et al. (2008) view strategy development process as a "black box" that produces a strategy to be implemented using strategy maps and balanced scorecards. They observe that while the actual

selection of a strategy remains an art, it should be governed by a systematic process. It is one that defines the organization's purpose and goals and carefully examines the external and internal environment to identify opportunities and constraints regarding that strategy.

The best formulated strategies may fail to produce superior performance for the firm if they are not successfully implemented. "Drawing a line between strategy formulation and execution almost guarantees failure" (Martin, 2010). Hrebiniak (2006) posits that although formulating a consistent strategy is a difficult task for a management team, making that strategy work, is even more difficult. Strategy execution is a key challenge for today's organizations due to emerging opportunities and challenges within the business operating environment. There are many factors that influence the success of strategy implementation, ranging from the people who execute the strategy to the systems or mechanisms in place for coordination, control and support (Li et al., 2008).

Martin (2010) identifies key challenges to successful strategy execution as, making strategy meaningful to lower level staff, failure to effectively communicate the firm's strategy to staff, formulation takes a top down approach and there is poor ownership and buy-in from all stakeholders. Cocks (2010), observes that the causes of breakdown in strategy implementation relate to the capabilities, process and activities that are needed to bring the strategy to life. He adds that effective execution of strategy calls for unique, creative skills including leadership, precision, attention to detail, breaking down complexity into digestible tasks and activities and communicating in clear concise ways throughout the organization and to all stakeholders. Raffoni (2003) and Egelhoff (1993) agree with Cocks' observations that effective strategy execution in itself may provide a major source of competitive advantage.

Cocks (2010), holds the view that strategy execution is not merely a matter of operationalising the strategy, by exercising command over resources, employees and their work. According to him, successful organizations stay tuned to their external environments and quickly adapt by changing their internal processes, systems, competencies, products and services. Nunes and Breene (2012) contend that traditional strategic planning and execution approaches are useful in stretching the revenue curve of an existing business, but they can't help firms detect how the competition bias in a market will change. Zomorrodian (2011) points out that strategic planning approach has gained popularity in recent times due to increasing complexity of the organizational environment, globalization, shrinking resources, economic turmoil at the global level and other forces inherent in the operating environment. The central focus of strategic planning is putting in place a strategic plan for survival and sustained growth.

In contemporary business management, strategies often fail to meet the demands of the dynamic business environment due to various reasons, both specific and general. One of the most common reasons why traditional and classical approaches to strategy formulation and execution have failed to generate expected results is that many past strategies were overly reliant on static snapshots of businesses and industries which are in a constant process of change, redefinition and evolution (Daniell, 2006). These strategies failed to appreciate the emerging issues that have redefined the strategic management process and which can no longer be assumed.

This paper identifies and discusses emerging trends that are shaping contemporary business strategy formulation and execution. The paper concludes with remarks drawn from the discussion and makes recommendations for possible future consideration.

Emerging trends shaping contemporary business strategy

The key emerging trends considered critical in the

shaping of contemporary business strategy formulation and execution are identified and discussed below.

Bottom up approach; Lower level managers and staff: Traditional strategy formulation and execution processes have been heavily top-down. Contemporary times have seen a significant shift to bottom up approaches that have critically improved the execution of strategies. According to Karnani (2006), effective strategy formulation and execution should be participatory, but not democratic. The purpose of generating and managing conflict during the development process is to thoroughly analyze the strategic choices. Govindarajan and Trimble (2012) posit that to achieve day-to-day business excellence, companies must do more than hire and train outstanding individuals. They must optimise the way individuals collaborate through job specifications, organizational designs, and work processes. Martin (2010) presents the view that in contemporary strategy formulation and execution employees don't like the buy-in approach where senior management and consultants formulate strategy and then hand it down to them for execution as a way of buy-in. Such buy-in creates an artificial distinction between strategy formulation and execution. Emerging trends are that firms are now recognising the role of lower managers and staff in terms of effective interpretation of strategic statements for effective execution (Littler et al., 2000).

Technological paradigm shifts; Multiple business strategies have been victims of the rapid emergence of what Hill (2010) terms as technological paradigm shifts. Business strategies have had difficult times coping with rapid emergence of technologically related paradigm shifts, both in terms of strategy formulation and execution, mainly due to the rapid rate of these changes. Hill (2010) argues that "technological paradigm shifts occur when new technologies come along and revolutionize the structure of the industry, dramatically alters the nature of competition, and require companies to adopt new strategies to survive". There are many examples of technological paradigm shifts such as,

- 1) The shift from chemical to digital photography,
- 2) Shift from using type-writers to computers,
- 3) Shift from communicating through letters to emails, mobile phone texting, face book, twitter, blogging etc,
- 4) Shift from analogue to digital television broadcasting,
- 5) 5) Shift from traditional banking practises through banking halls to mobile banking (for example MPESA and Mkesho technologies).

In Kenya, technological advancements in the financial services sector have been revolutionized by Safari-com's MPESA services. Banks and financial institutions that were slow in embracing this technology have had their share of profitability woes to tell. Money moves

freely and virtually instantly between destinations, seeking the highest available return from the most attractive markets, where they may be (Daniell, 2006).

Outsourcing: According to Thompson and Martin (2010); Thompson et al. (2010); Pearce II and Robinson (2011); and Johnson et al. (2011), outsourcing is the decision to allow one or more of a company's value chain activities or functions to be performed by independent specialist companies that focus all their skills and knowledge on just one kind of activity. The activity to be outsourced may encompass an entire function such as a manufacturing function, or it may be just one kind of activity that a function performs. An example is where several firms have outsourced office cleaning to firms specialised in cleaning services. Price Water house Coopers (PWC) has outsourced its transport services. Thompson and Martin (2010) identifies key competitive advantages of outsourcing as, lower cost structures of a firm, increased product differentiation and focused distinctive competencies.

Alliances, consolidations and networks: Thompson and Martin (2010) observe that "today, companies have found that they can realise many of the benefits associated with vertical integration by entering into long term-term cooperative relationships with companies in industries along the value added chain". Examples of strategic cooperative relationships are strategic alliance, mergers, acquisition and joint ventures. These are strategies where foreign companies act as primary vehicles for entering foreign markets and perhaps use alliances as an ongoing strategic arrangement aimed at maintaining or strengthening competitiveness. Local examples are Kenya Airways and KLM, Sky team alliances, and the Jomo Kenyatta University and Kenya Institute of Management alliances. Kenyan firms that merged to exploit strategic opportunities are the Crown Paints Company Ltd that merged with Berger Paint Ltd to become Crown Berger Paints Ltd.

Globalisation of business: This is the process of availing goods and services to markets that are outside the country of origin or the country where the goods are manufactured or the location of the company (Johnson et al., 2011). This trend is increasingly gaining recognition in the contemporary world of business with many organizations in developed and developing world embracing the opportunity to go global. The trend is significantly influencing the development and execution of business strategy. Companies go global because of various factors including profit motives, costs minimization, diversification of the markets, search for new opportunities, competitive moves and saturated domestic markets. Strategies commonly used to internationalize by firms are; export strategy, internationalisation strategy, multi domestic

strategy, the global strategy and transnational strategy. According to Mellahi et al. (2005), many firms begin their internationalization processes as exporters of their products to the countries they wish to operate in.

Examples of Kenyan firms that have gone global and that are doing well are Equity Bank with businesses in Uganda, Rwanda, South Sudan, KCB has gone to South Sudan, Uganda and even UK, Uchumi Supermarkets has presence in Uganda and countries in the region, Nakumatt is also making good progress in establishing itself beyond the Kenyan borders.

Environmental impacts - "Green rules drive innovation in firms": poorly formulated or executed environmental policies and strategies can diminish the competitiveness of companies and a whole industry.

Strategists must conduct careful risk and economic analyses to ensure that the costs of a policy never exceed the benefits. Esty and Charnovitz (2012), in their article "green rules to drive innovations" argue that environmental policies must be carefully structured and predictable if they are to enhance competitiveness". Without a coherent framework on environmental protection in contemporary business operations, companies will fail to make strategic decisions on investments. This will place companies at serious disadvantages when competing with businesses that have clear policies that have sharpened corporate focus on waste management efficiency.

Esty and Charnovitz (2012) contend that it is increasingly clear, that investing in environmental management sustainability can enhance a firm's competitiveness. Companies, perhaps more than governments, have come to appreciate the vital connection between environmental sustainability and strategic competitiveness. They observe that about 95% of the world's 250 largest firms regularly report on their environmental performance, highlighting their commitment to environmental sustainability as a tool for reducing risk, improving efficiency, driving innovation, and building intangible value. Firms that try to compete by avoiding environmental considerations may appear to succeed in the short-term but their practices will harm its competitiveness in the long run.

In Kenya, the National Environmental Management Authority (NEMA) is charged with the responsibility of ensuring that business enterprises in the country adhere to the environmental management rules and business ethics. NEMA cannot grant an operating licence to businesses until they confirm that the firms have conducted an environmental impact assessment (EIAs). For example, the Canadian Company (Tullow Ltd) that was licensed to explore oil in Turkana, Northern Kenya had to do an environmental assessment and be issued with a certificate before undertaking the exploration. Non compliance with the requirements of NEMA would mean serious consequences to firms. Thus, business managers

are now forced to re-design their strategies in order to comply with the environmental rules.

Emphasis on decisions more than structures: Mankins and Rogers (2010) draw a parallel between decisions and structures by saying that “An army’s success depends, at least as much on the quality of the decisions its officers and soldiers make and execute on the ground as it does on actual fighting power”. Focusing on the effects of decisions in strategy as opposed to Alfred Chandler’s “structure follows strategy” theory is gaining ground in contemporary business strategy. A Corporation’s structure will produce better performance if and only if it improves the organizations ability to make and execute key decisions better and faster than competitors. If an organization’s strategic priority is to become more innovative, the reorganization challenge will be to structure the company so that its leaders can make decisions that produce more and better innovation over time. Instead of beginning with an analysis of strengths, weaknesses, opportunities, and threats, structural changes need to start with what is referred to as “decision audit”.

The goals of the audit are to understand the set of decisions that are critical to the success of a company’s strategy and to determine the organizational level at which those decisions should be made and executed to create the most value. If management can align an organization’ structure with its decisions, then the structure will work better, and the company’s performance will improve. Mankins and Rogers (2010) are of the view that organizational structure is not the only determinant of performance and in some cases, it is not even particularly important. That is why changing a company’s structure to meet a particular strategic goal can actually exacerbate problems rather than help solve them.

Work-life and performance: Amabile and Kramer (2011) contend that a central driver of creative, pro-ductive performance is the quality of a person’s inner work-life-the mix of emotions, motivations, and perceptions over the course of a workday. How happy employees feel, how motivated they are by an intrinsic interest in the work; how positively they view their organization, their management, their team, their work, and themselves all these combine either to push them to higher levels of achievement or to drag them down.

Amabile and Kramer (2011) argue that in the realm of knowledge work, people are more creative and productive when their inner work lives are positive; when they feel happy, are intrinsically motivated by the work itself, and have positive perceptions of their colleagues and the organization. In contemporary management, good managers, a) establish a positive climate, one event at a time, which set behavioural norms for the entire team, b) stay attuned to their team’s everyday activities

and progress, c) target their support according to recent events in the team and project and d) establish themselves as resource people to their team members. Examples of firms that have attempted to provide this kind of environment include PWC (for day care and nursing services and flexi-time).

Culture and business strategy: Johnson et al. (2011) define organizational culture as basic assumptions and beliefs that are shared by members of an organization. The influence on various forms of culture (organizational, national and international) on strategy is rapidly emerging as a critical strategy success factor that is receiving a lot of attention from managers. Johnson et al. (2011) argue that the emphasis is on strategy development as the outcome of the taken-for grantedness works to define, or at least guide, how people view their organizations and their environments.

It is, therefore, an emerging trend that decisions about future strategy will be within the bounds of culture and that a pattern of continuity will be the outcome, subsequently post-rationalised by the managers. Culturally bound strategy development can lead to strategic drift (Karnani, 2006). He continues to argue that effective strategic planning and implementation requires that companies cultivate a culture that deals well with conflict. The Kenyan hospitality industry, through the Kenya Tourism Board has taken up the issue of culture seriously in order to improve their business performance. Most hotels now employ managers whose cultural quotient (CQ) is high given that most of the clients are from diverse cultural settings.

Project management techniques: Bringing life to the organizational strategy can be viewed as a program made up of a series of related project activities, each requiring planning and allocation of resources to deliver results; to get the job done on time and on budget. A similar approach can be conceived with strategy execution which involves breaking the strategic plan into required activities and defined tasks. Each task has its own objective, consumes resources, has a time line and can be scheduled. Cocks (2010), avers that the emergency of project management to support strategy execution is supported by the establishment of program management offices in larger organizations. Their purpose is to supply project management expertise to the entire programme, thus linking all projects together. He further observes that project management emphasises the importance of planning as much as it focuses on implementation. The same should be true of strategy execution. Strategies involving incremental change or continuous improvement may not require detailed planning. However, organizations facing transformational change or major shifts in strategy can ill afford the consequences of poor planning. Effective execution

follows effective planning; the project then becomes one of control by tracking progress, feedback, problem solving and standardization. Effective strategy execution, like project management, needs regular and structured meetings and communication. People issues and resources should head the agenda at review meetings.

Strategic architecture: As contemporary corporations have to operate in increasingly dynamic and turbulent environments, strategy formulation needs forward looking and change oriented. Organizations need to be not only responsive to changes within their current operating environments but also predictive of such changes, in order to identify and capture opportunity share (Hamel and Prahalad, 1994) cited in Littler et al. (2000). Hamel and Prahalad (1996) postulate a strategic management approach in which organizations pursue future competitive success through the re-invention of their markets and the deployment of 'core competencies'.

Kaplan et al. (2008) view strategic architecture as the formulation process through which an organization translates its current core competencies into future competitive success. Strategic architecture represents the information road map of the organization's progress towards its anticipated competitive ambitions, which may not be achieved for several years to come. Indeed, Hamel and Prahalad (1996) emphasise that strategic architecture is a broad opportunity plan. "The question addressed by a strategic architecture is not what we must do to maximize our revenues or share in an existing product market, but what we must do today, in terms of competence acquisition, to prepare ourselves to capture a significant share of the future revenues in an emerging opportunity arena" (Hamel and Prahalad, 1996).

Strategic facilities management: Contemporary business strategists have taken a keen interest in specialised asset management within the realms of strategy formulation and execution. The irony is that businesses are, at the same time, having to provide the most suitable properties in support of core service delivery requirements (Jelicouer and Barret, 2004). A specialised asset is one that is designed to perform a specific task and whose value is significantly reduced in its next best use (Hill, 2010). He avers that the asset may be a piece of equipment that has a defined, specific use or the know-how or skills that a company or employees have acquired through training and experience. Companies invest in specialised assets because these assets allow them to lower their cost structure or to better differentiate their products, which facilitates premium pricing.

For example, a company might invest in specialised equipment to lower manufacturing costs, such as Toyota does, or it might invest in an advanced technology that allows it to develop better-quality products than its rivals, as Apple Computers has done. Thus specialised assets

management can help a company achieve a competitive advantage at the business level. Just as a company invests in specialised assets in its own industry to build competitive advantage, it is often necessary that suppliers invest in specialised assets to produce the inputs that a specific company needs. This trend has taken shape, especially, in the western world and it is bearing good results. The developing world is doing catch-up work in applying this concept but indications are promising.

Diversification: Pearce II and Robinson (2011), Thompson and Martin (2010) recognise diversification strategies as being among emerging trends that shape contemporary strategic management. They define diversification as the process of entering into new industries, distinct from the company's core business or original industry, to make new kinds of products that can be sold profitably to customers in these new industries. A multi-business model that is based on diversification aims to find ways to use a company's existing distinct competencies to make products that are highly valued by customers in the new industries it enters. Around Nairobi and across Kenya, there has been an emergence of mini-supermarkets within the premises of petrol stations, thus acting as a "one stop shop" for motorists. The emergence of entertainment industries within the precincts of hotel facilities around Nairobi are also common strategies of ensuring that visitors do not go far to enjoy those services. Currently, media houses provide both print and television services while some Cinema halls that are used for entertainment during week days turn to prayer halls over the weekends. In addition, a number of universities in Kenya have diversified into real estate investments while the communications industry has diversified into the financial markets, for example Safaricom and Airtel that developed the MPESA and Mkesho technologies.

Integrating knowledge management: The quality of a formulated strategy depends on the quality of knowledge that informs the system. This in turns hinges on how effective the process of knowledge gaining is managed within the organization. In a dynamic environment, underlying conditions often change before a strategy can be fully implemented (Diem, 2007). Strategy formulation and implementation must therefore be regarded as a constant learning process and quality of strategy directly depends on the quality of the organization cognitive and behavioural learning mechanisms. Performance measurement systems provide the necessary feedback loop within this learning process provided that design encompasses all stages of the strategy formulation and implementation process and the organization's value system.

Diem (2007) further argues that the creation of new knowledge or technology is referred to as discovery or invention. Research is the scholarly work needed to

arrive at finding new things or new knowledge. This is the process of creating value for knowledge. Critical success factors for research are quality, pertinence to societal or business needs or economic growth, and sustainability. Sustainability is determined by the research's ability to survive and grow. Sustainability can be achieved if the research's results or innovations can be used effectively. In order to arrive at these critical success factors, organizations should align their interests with the strategic objectives of industries in order to tackle societal and business challenges and get resources from them (Diem, 2007). Knowledge management is the solution for sustaining a competitive edge in a knowledge economy.

CONCLUSION AND RECOMMENDATIONS

This paper has identified, examined and discussed emerging trends that continue to shape contemporary business strategy. A theoretical review has been made on existing literature relevant to conventional approaches to strategy formulation and execution. The authors have identified and examined emerging trends that have continued to shape contemporary business strategy formulation and execution. Relevant examples have been cited to illustrate where and how these trends have been applied. Among the key, strategic approaches identified, examined and discussed as emerging trends that have characterised contemporary business strategy decisions are, the inclusion of "bottom of the pyramid" staff in strategy formulation and implementation processes, role of technology, outsourcing trends, role of alliances, consolidations and networks in business strategy, globalisation processes, strategic architecture, culture and business strategy, environmental impacts on business strategy, diversification and knowledge management.

Given the rapid change of business environments, the authors recommend that specific studies be conducted on the thematic area in order to understand the evolution of strategic management processes with the view to determining how future business managers are likely to strategically respond in order to attain a strategic fit.

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