

Report on the organizational strategies

The aim of this report is to make your team aware as a collective entity with relation to the strategic guidelines as described in Leonardo3.4.5, and that we call “generic strategies” because of the fact that each and every organization positions itself, either consciously or unconsciously, in each of these five dimensions, by choosing the proximity of one end of the proposed polarity, rather than the other.

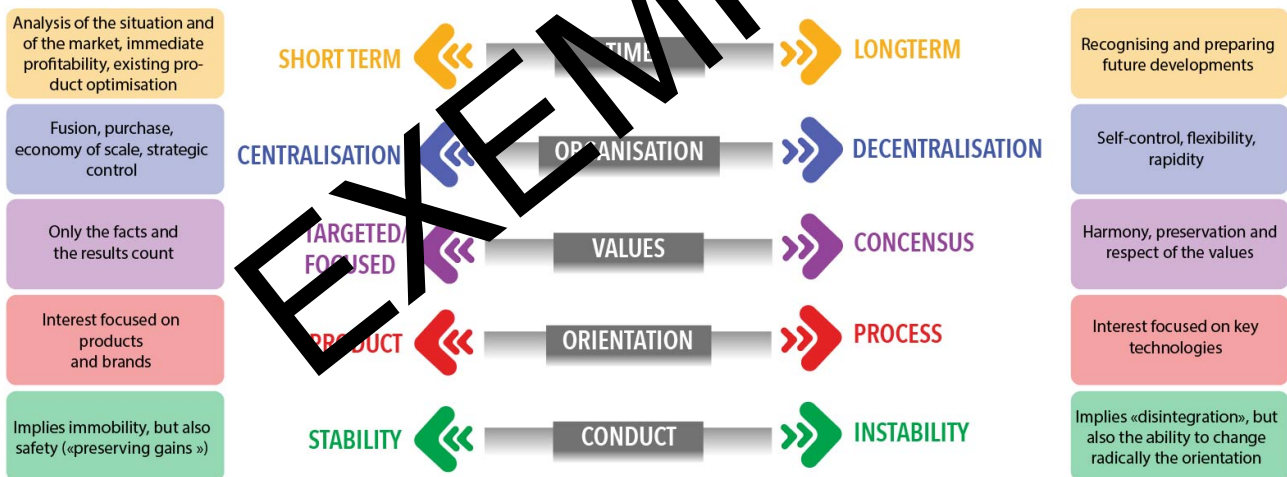


Figure1 - Schema of the five strategic priorities with an explanation of the stakes involved in the 10 polarities

It's important for you to notice that positions on these axes are not fixed. They can be seen as a cursor that slides, we can say, from one side to the other depending on the situation of the environment.

Though organizations cannot flee from generic strategies, on the other hand they can analyze the context in which they are interacting as compared with numerous other factors that are more difficult to classify as types. These are specific strategies that organizations must develop to hedge risk, and to take advantage of the many opportunities to be found on their markets. A few examples to illustrate this:

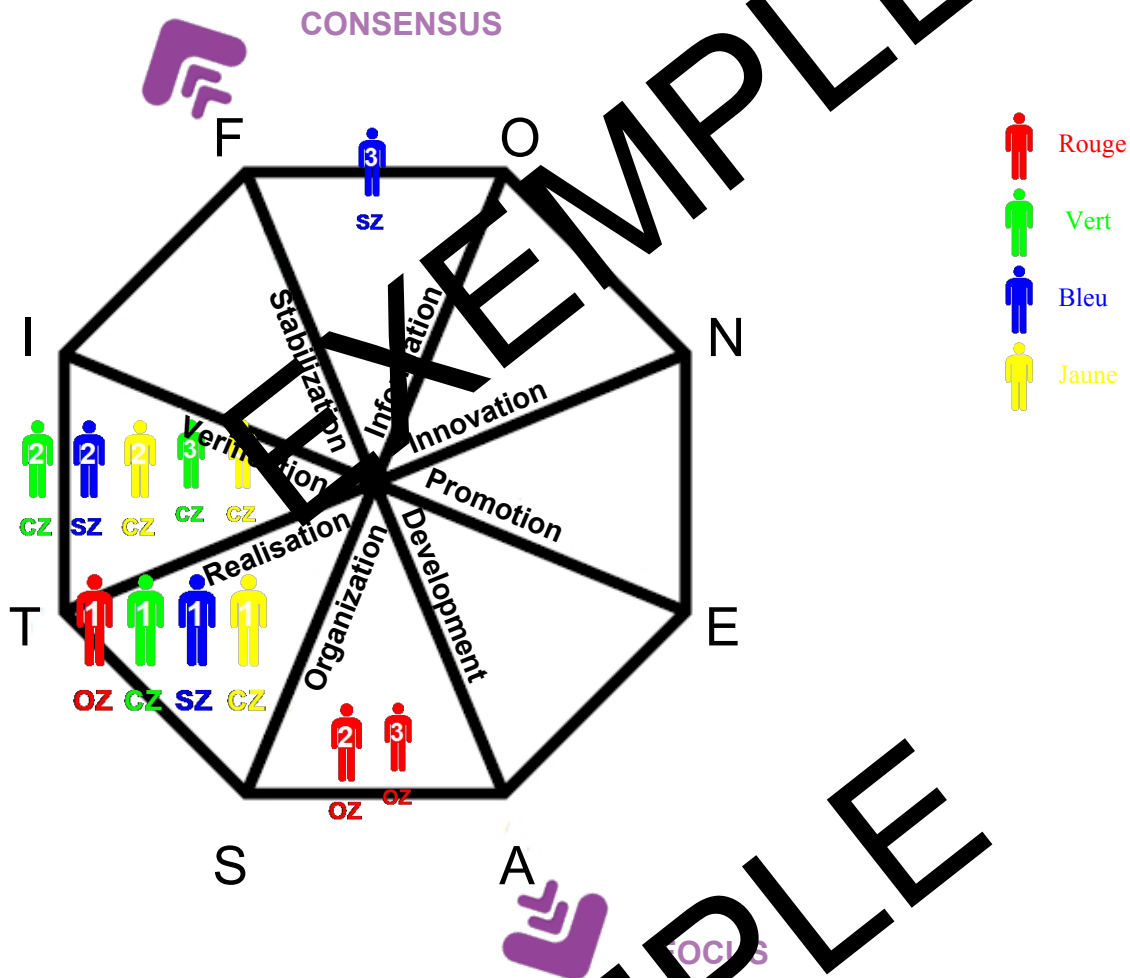
- In the food market, a company could target organic products while another one tries to give its clients the lowest price possible: this was one of the battles between Coop and Migros in Switzerland. Though Coop won this war, a few years later Migros was back in the battle with locally sourced products.
- In the book market, Amazon began by targeting book stores, offering mail order purchases that were both cheaper and as fast as ordering books in bookstores. Amazon then expanded this business model to a large number of other categories of products.
- To defend themselves against players such as FlixBus, railway companies created a large variety of prices aiming to better utilize off-peak hours and raised the comfort and rapidity of taking the train, rather than traveling by bus.
- To dip into a part of the bakery market share, large grocery chains and filling stations cook frozen products almost until closing time.
- And to end with a much older example, hardware stores have been absorbed by all sorts of “Do It” markets.

And we could quote an infinite number of examples of specific strategies. What they all share though, is that they always refer to a market situation and to stakeholders that are active there. Speaking of which, it's interesting to note that most economic theories put either prices or profitability in the center of their rhetoric, though most examples above clearly show that price is but one of the key elements, and moreover, not always the most important one.

This being said though, it must be conceded that though specific strategies have always had the lion's share of attention, generic strategies are now becoming a key element for success. And of course, these two strategies

Team's preferred axes

The values axis: consensus/focus polarity



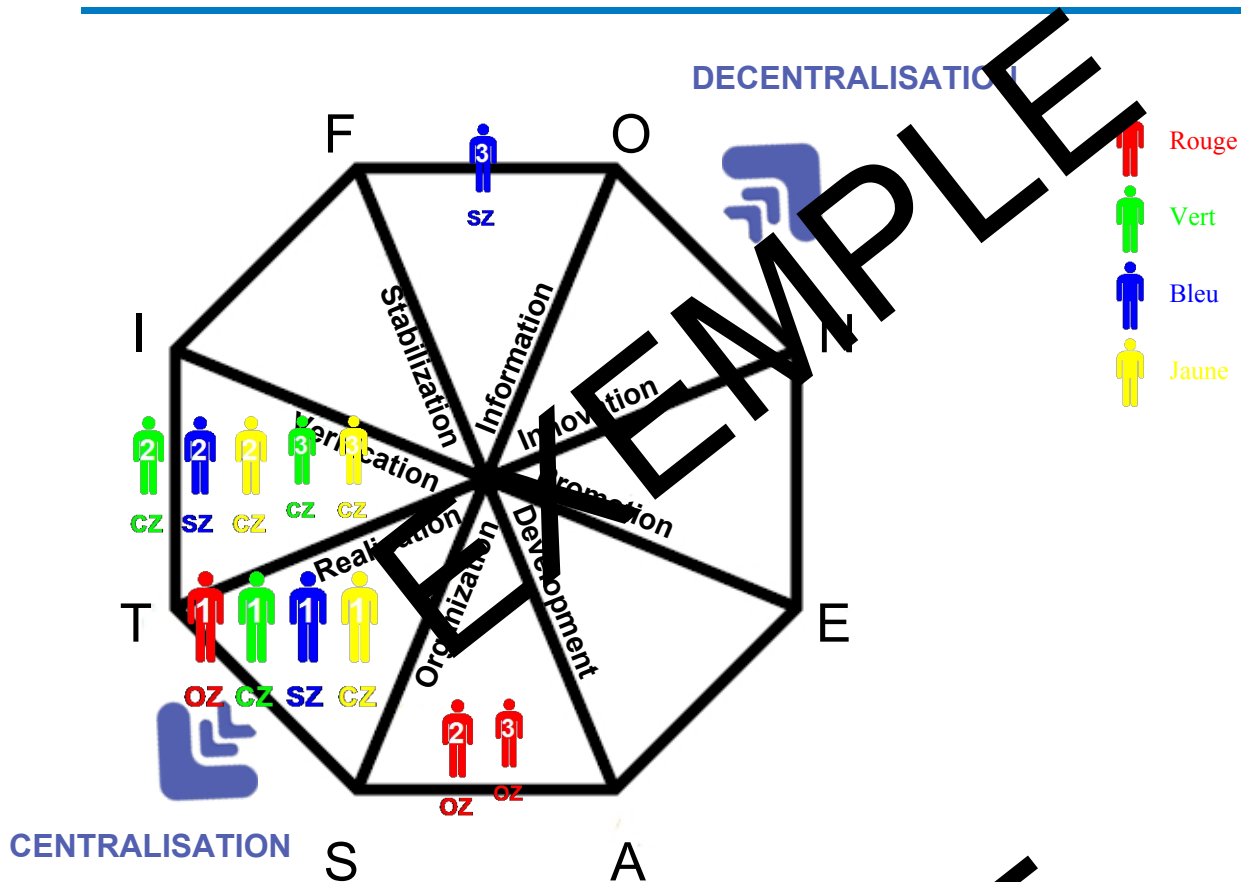
Comments

On this axis, there is opposition between

- an attitude based on facts and results (focus) and
- an attitude based on the adherence to values and on the maintenance of harmony

The necessity to federate the company according to the values and a common vision, is often hindered by the constraints of management procedures. We can observe how in Europe the focus still outweighs. In reality, in order to avoid internal difficulties, it is in the management's interest to move towards the pole of consensus. This is the place for human potential development. In Germany, Lutz von Rosenfeld (op.cit.) showed clearly the importance of values in the performance of the staff. These values have an important bearing on professional choices and on the choice of lifestyle. (Choices made on the inside and on the outside of one's working environment.) In the octagon which shows the different functions, values have a particularly important role to play for those who feel at ease in the areas of stabilising and information. Other profiles are also sensitive to values, but in as much as the company has defined a motivating goal, shared by all contributors. In the light of the fact that, more often than not, the «final goal» is not totally attainable, the company is compelled to market its values: «we must have faith».

The organizational axis: centralisation/decentralisation polarity



Comments

Centralisation and decentralisation (linked, for example, to mergers or privatization) lead to modifications in structures and in working procedures hence in the composition / re-composition of teams. In this case also, the ultimate success of an operation can depend on the attitude of the staff when faced with strategic decisions.

The greater the movement towards decentralisation the closer one gets to the rupture of the system, unless the centralised structure is replaced by a federal equivalent, the greater the movement towards centralisation the closer one gets to the establishment of a mechanistic hierarchy (as seen in the former USSR).

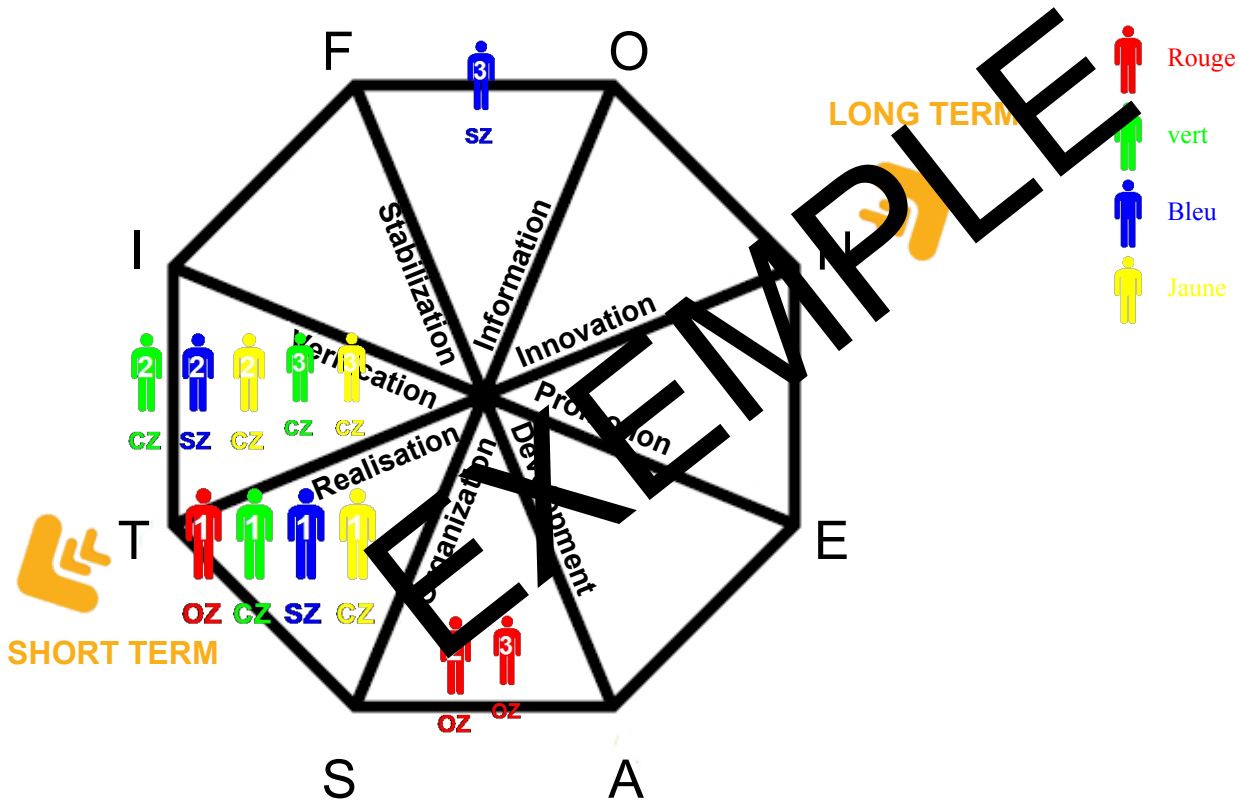
- If centralisation is usually justified by:
- the advantages of a strong identity
- economics of scale
- better strategic control
- the efficiency and appropriateness of structures, of procedures and of subordination links
- the focus in decision making

however, decentralisation is credited with all the advantages specifically linked to autoregulation/self-government such as:

- flexibility, adaptability and speed
- suitability to the market
- better circulation of information
- better motivation of partners

Mastery of the centralisation/decentralisation axis signifies, for the company, the identification of processes and structures which must be centralised or decentralised depending on the situation in order to promote greater efficiency in the whole of the system.

The time axis: short-term and long-term polarity



Comments

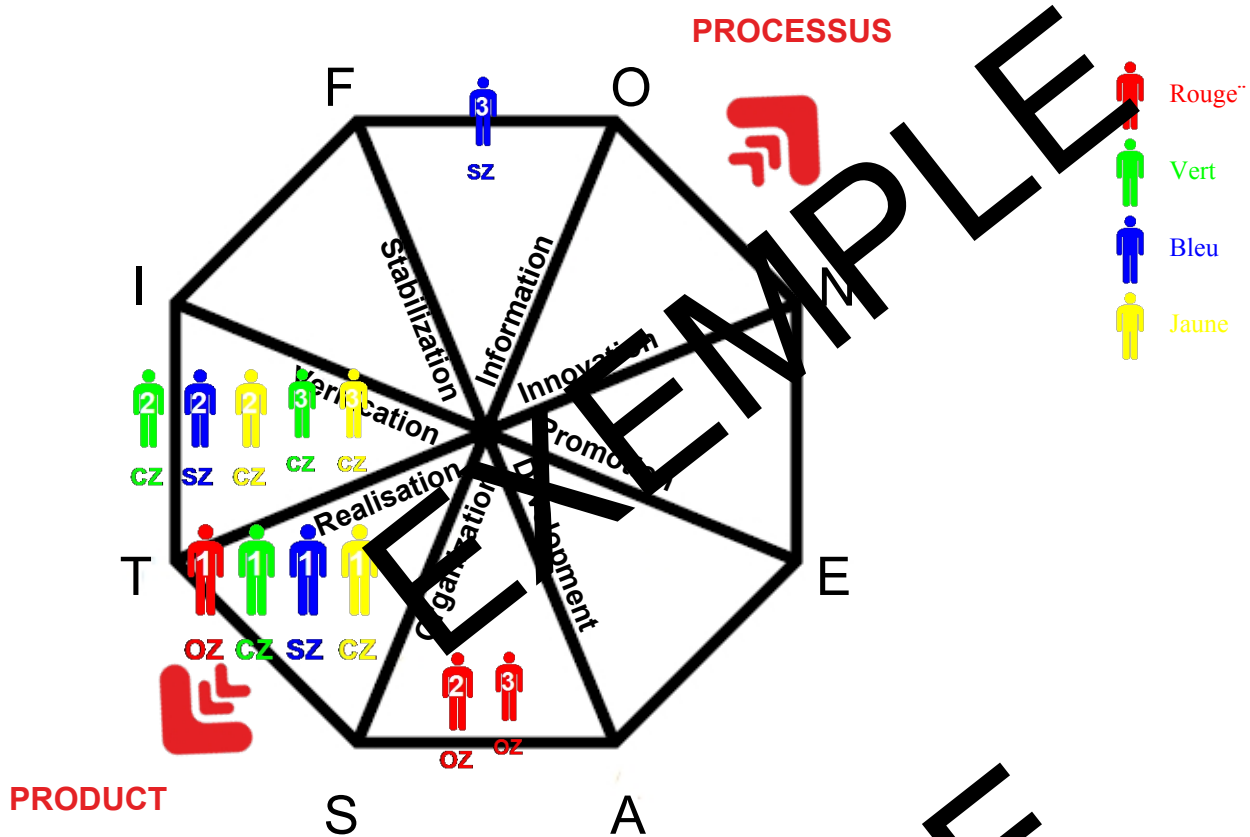
Any company not capable of mastering the time axis risks the development of inadequate strategies. If it concentrates its efforts on short-term horizons its aims will be those of immediate financial success, deriving maximum benefit from existing products or from choices of an «opportunistic» nature. The lack of long-term perspective deprives the company of a «vision» which, in turn, makes the company reactive: acceptance of its place in the current market and the absence of long-term vision lead to a real loss of its propulsive capability. On the other hand, concentration on long-term goals and the neglect of the short-term, deprive the company of situational analysis and feedback from the market.

Example: mastery of the time axis has allowed certain companies in the brown goods area to operate a policy of dumping over the years up to a point where they have been able to control the market.

It is thus important to know :

- if the management is capable of identifying areas which must be managed in the short, mid or long term
- the attitude towards long-term investment
- the attitude of the executives and the concerned staff in relation to strategic choices

The orientation axis: process/product



Comments

Product orientation embraces determinism: a product designed for a market, the maximum exploitation of this product or its substitution for a product of the same type (for example - a company which produce cars and nothing else and will confine itself to this area.)

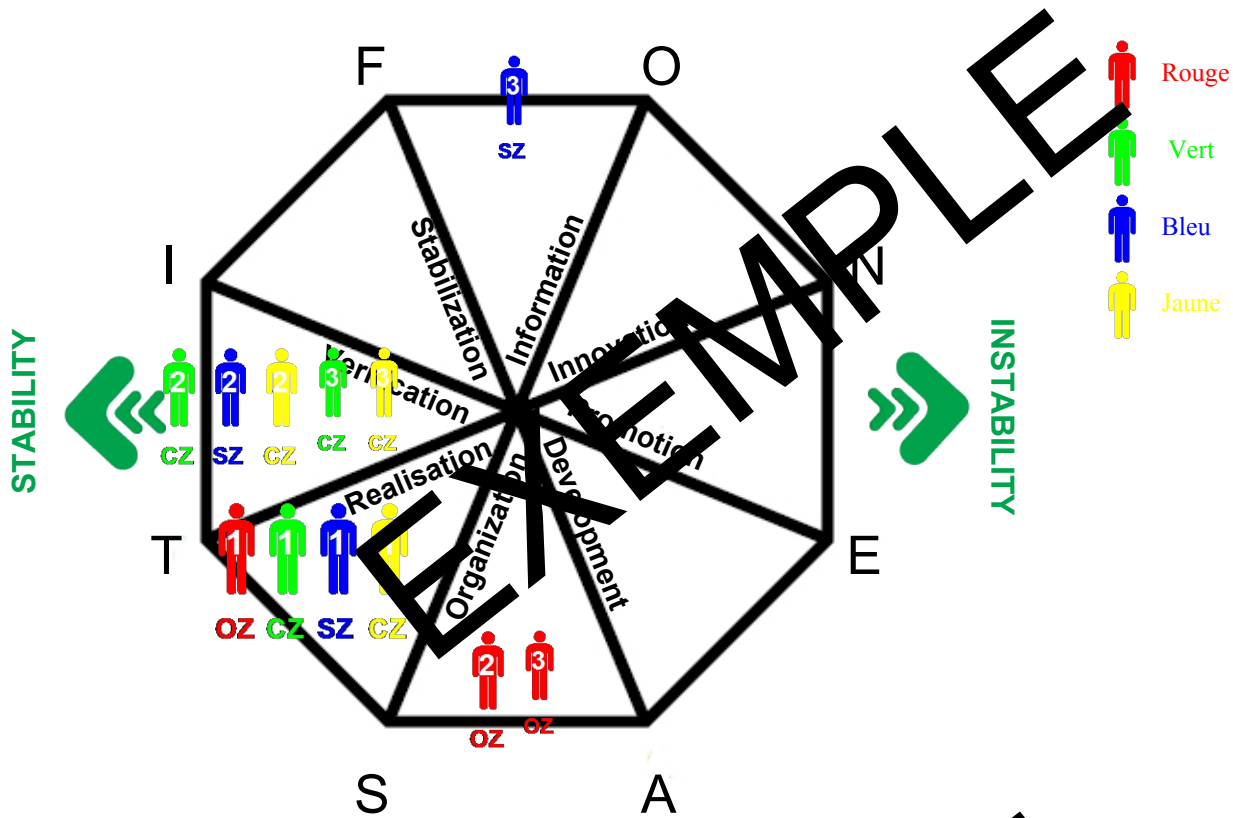
Process orientation involves constant checks of the technical skills and key aptitudes which are subordinates to products and production processes and may, when the opportunity presents itself, be used for the production of other ranges of goods/services, (for example, certain Japanese companies specialising in the production of medical equipment used their IT skills to produce portable computers).

Process orientation is necessary to permit a change of paradigm over a range of products and to redirect the company's activities in the light of new needs which are evident in society, (for example, using the skills of the motor industry to help with the decentralisation of electricity production through the linking heat-energy).

If product orientation involves the risk of determinism and inadequacy of the products to the market needs, on the other hand process orientation involves the risk of dilution through the partial abandonment of the core business.

Mastering of this axis implies constant monitoring.

The agility axis: stability/instability



Comments

Stability and instability are both essential elements in the evolution of any living system. In the animal and human world stability and instability are closely linked to neophobic and neophilic reactions.

Stability, a neophobic reaction, is the guarded response to a situation/environment which is loaded with the unknown, uncertainties and dangers. All new experiences are, potentially, dangerous or even life-threatening. As a result, the wish to avoid suffering or death is considered a greater priority than the search for pleasure, the quest for new pleasure or breaking new ground.

Neophilia leads the system towards experimentation, the search for pleasure and the discovery for new potential but also risk-taking, hence the instability.

Excessive instability can lead to the break-up of the system. It is therefore important that stability outweighs instability.

Any company which is constantly subject to reorganization, being simultaneously compelled to accept new procedures/ working practices and to cope with unreasonable management changes, is liable to suffer a loss of quality and of productivity.

Alternation of the two poles stability/instability holds the key to the successful management of change.