

Strategy Making in High Performance Organizations

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Abstract

This paper focuses on the types of successful strategies implemented in high-performance organizations. It is argued that globalization has resulted in rapid diffusion of high performance practices transforming especially those organizations functioning in the international arena. By the same token, the use of different types of strategies in high performance organizations has become the commanding aspect of gaining competitive advantage for global companies. Broadly, the utilization of various strategies depends on the evaluation of content based and process based approaches during the formation process of strategic action. These approaches come up with planning and learning schools. Planning school which is leading the content based approach can be identified as the determination of clear cut behavioral actions in advance that results in successful organizational outcomes in the global marketplace. Whereas, learning school suggests the utilization of trial and error method for capturing the highly valued advantages that emerge along with the strategies implemented.

As for those organizations willing to transform their existing organizational processes into high performance practices, the dilemma of choosing between planned strategies and emerging strategies becomes the basic proposition in strategy determination. In this vein, a conceptual framework is developed which bring forth the conditions whereby high performance organizations can choose between planned and emerging strategies for sustaining their competitive advantages in order to survive in a constantly changing global environment. The argument here is that firms' mode of adaptation to changing conditions in the environment has a strong impact on their strategy in use. Also, it is proposed that the institutional pressures of the environment influence the interplay between the strategist and the organization, while trial and error method and the determination of clear cut plans work on environments with distinctive institutional characteristics. Finally, the kinds of environmental conditions appropriate for the utilization of different types of strategies are presented.

Introduction

Rapid technological advances have rampaged the way organizations respond to their changing circumstances. Consequently, organizational practices which enable high performance in light of these sophisticated technologies are becoming an essential part of an increasingly competitive global landscape. Open source information systems that encourage organizational growth, learning and innovation (Evans & Wolf, 2005), along with human resource practices that model employee selection, managerial promotion mechanisms and performance evaluation processes (Fleming, Coffman & Harter, 2005) pioneer the transformation of traditional processes into high performance practices. Furthermore, team based organizational structures bring expert knowledge from diverse fields together (Fischer & Boynton, 2005) and the maximization of employee creativity results in new technologies and economic growth (Florida & Goodnight, 2005) which are associated with some of the prominent characteristics of high performance organizations.

In this study, we focus on the appropriateness of planned and emerging strategies for achieving high performance in firms encountering with distinctive environmental conditions and organizational fields. Prior research on strategy determination indicates that various types of formulations related to superior organizational outcomes and progressive performance constitutively lean upon planning and design schools standing up for content based strategies (eg. Ansoff, 1965, 1991; Andrews, 1971, 1987) and learning school arguing for process based strategies (eg. Mintzberg, 1978, 1990; Quinn, 1980; Cyert & March, 1963). According to Ansoff (1991), strategic responses of firms are ultimately shaped by environmental turbulence, while survival depends on making a difference from the historical behavioral patterns which is supplied by directors and managers using planned strategies. More specifically, managers should formulate explicit strategies so as to decrease the amount of uncertainty about the environment and make progress through the strategic actions that create a discontinuity from the past. On the other hand, Mintzberg (1990, p.185) states that managers cannot predict what is going to happen in the future and formulate strategies in advance because “environment is not some kind of pear to be plucked from the tree of external appraisal, but a major and sometimes unpredictable force to be reckoned with.” From this standpoint, strategies should emerge by the use of trial and error method and rather than engaging with a clearly disclosed direction, organizations should take peripheral visions into account as well (Mintzberg, 1990).

Theoretical Framework and Propositions

High performance organizations contemplate on various types of strategies so as to capture highly valued competitive advantages in the global marketplace. From a behavioral perspective, organizations formulate and use strategies over a wide range of alternatives which appear between pure deliberate and pure emerging ones (Mintzberg & Waters, 1985). In this vein, planned, entrepreneurial, ideological, umbrella, process, unconnected, consensus and imposed strategies can be utilized by different types of firms that strive for effective strategic choices related to their environmental conditions (Mintzberg & Waters, 1985). Additionally, Segev (1987) argues that content and process based strategies constitutively generate those strategic actions leading to successful outcomes. In fact, the pioneering element of high performance comes from the degree of compatibility between the two (Segev, 1987). More specifically, the relationship between strategy and strategy making exhibits that “the process-content dichotomy is an artifact of convenience and that the two are integral

components of any organization-environment adaptation process, that is, of strategic management” (Segev, 1987, p.267).

Katzenbach (et al., 1996) proposes that high performance organizations can be characterized by their unique institutional peculiarities. Employee empowerment, along with a democratic management style plays a central role in the sustainability of high performing practices (Katzenbach, et al., 1996). Some of the crucial attributes of these organizations include well balanced performance results, interesting goals that are clearly defined, committed and focused leadership, employees who are devoted to production and continuous learning, resources based on capabilities paving the way for competitive advantage and open communication-information management (Katzenbach & Smith, 1993). From this standpoint, top management teams’ ability to formulate effective strategies and recognize novel work processes bring forth simple and flexible organizational structures (Katzenbach & Smith, 1993). By the same token, Quinn (2005) suggests that leadership features which encourage to think beyond the ordinary beliefs and to learn while adapting to rapid environmental changes are the key sources of high performance in the workplace.

Another stream of research relates the diffusion of high performance practices to different aspects of organizational life other than effective operational processes. Building on the argument that the fundamental part of high performance organizations is employee commitment, Osterman (1999) reports the diffusion of such practices during the time of restructuring and layoffs bring forth a contradiction about the nature of employee – organization relationship. Although success of the firm depends to the extent that higher levels of employee commitment is achieved, from the other way round commitment of the firm to its workforce is becoming increasingly reduced (Osterman, 1999). Furthermore, Yang (2008) shows that the variety in the adoption of high performance practices by organizations is strongly influenced by the institutional field in which firms reside. Consequently, mimetic isomorphism that causes firms to copy one another (DiMaggio & Powell, 1991) is a major source of the implementation of certain strategic actions (Yang, 2008).

From an environmental perspective, the distinction between deliberate and emerging strategies comes alive through the external interferences. Specifically, in the time of environmental pressures dictating patterns of organizational action, pure emerging strategies derived from process perspective of strategy formulation, are implemented (Mintzberg & Waters, 1985). On the contrary, the absence of environmental disturbances gives way to intended and realized strategic actions which are associated with pure deliberate strategies founded on content perspective of strategy formulation (Mintzberg & Waters, 1985). Based on the above premises, the implementation of content and process based strategies in high performance organizations can be considered to have a strong relation with the characteristics of firms’ task environment and the broader institutional field.

Proposition 1. The dominancy of deliberate strategies implemented in high performance organizations is positively related to the extent that firms reside within an institutional field characterized by relatively low levels of mimetic isomorphism. Specifically:

1.a. In case firms copying one another are uncommon in an industry, then high performance organizations choose determination of clearly defined plans to formulate their strategic actions leading to sustainable competitive advantage.

Proposition 2. The dominancy of emerging strategies implemented in high performance organizations is positively related to the extent that firms reside within an institutional field characterized by relatively high levels of mimetic isomorphism. Specifically:

2.a. In case firms copying one another are prevalent in an industry, then high performance organizations choose trial and error method to formulate their strategic actions leading to sustainable competitive advantage.

Conclusions and Managerial Implications

In order to conceive how companies can make better use of high performance practices, top management teams should start by examining the institutional characteristics of the environment intact with the major sources of behavioral patterns. According to Mintzberg & McHugh (1985), realization of organizational goals that are designed in advance and emergence of organizational goals that unintentionally occur on its own accord may both dominate strategy formation during the distinctive phases embedded in an industry. Thus, appropriate strategy determination bringing about successful operation of business in high performance organizations is directly influenced by the contextual factors which cause deliberate and emerging strategies to come into existence.

The implementation of high performance practices dependent upon different industries varies with respect to the communal actions, organizational attributes and leadership qualities. This paper considers community level behavioral patterns and argues that stages of relatively high isomorphism lead to emerging strategies while periods of relatively low isomorphism result in deliberate strategies in high performance organizations. Because performance advancing practices would reflect the characteristics of the institutional field, it is possible to evaluate strategic actions of high performance organizations in light of the dominant strategy formulation in the industry. On account of organizations aspiring to get a hold on their strategic assets, the recognition of the way environmental pressures can shape communal social action provides a significant competitive advantage to prosper and succeed in the global marketplace.

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