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Strategic Planning and Cooperative Strategies for Sustainability

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Abstract* - *Organizations need to continually change in order to survive and to grow; this is especially true in the competitive markets and in market based economies. However, over emphasis on change can be a deterrent to organizational growth. It is therefore essential to correctly identify areas and reasons for change. Critical decisions of identifying the areas, and order of change that would lead to a path of sustainability and growth for an organization require a decisive assessment process. At each phase of a decision making process, there are numerous nondeterministic choices and the certainty of success may be influenced by many external factors. External factors affecting an organization include market forces such as, competition, user demand, and suppliers, in addition to political, legal, and environmental factors. These in turn influence internal efficiencies of its components: divisions, product lines, and Strategic Business Units- grouped together as Value Components (VC). In this paper, we present methodologies for organizations to recognize areas and rationale for change, and to identify options available for change. Our model for these methodologies is generic as it explores effective ways to leverage cooperative strategies for competitiveness and applies to all industries. We elaborate on issues and knowledgebase required for critical VC of a corporation, and on understanding the limits of efficiencies that can be achieved. A conceptual framework that emerges from the model provides systematic guidelines for critical decision making.

Keywords: Sustainability, strategic planning, competitive strategy, reorganization, cooperative strategies, business units

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KEY DEFINITIONS:

Model: A schematic description of a system, or theory that accounts for its known or inferred properties and may be used for further study of its characteristics

Framework: A basic conceptual structure used to solve or address complex issues Value Components (VC): Essential components of an organization when generally grouped and addressed together - Divisions, Product Lines, and Strategic Business Units.

INTRODUCTION

Let's reflect on a case history where an organization with a local distribution network was indulging in updating its distribution systems at the cost of $1.5 million and a timeline of nine months. After two years and $2.9 million down, the system had yet to be implemented; dissatisfaction among management and employees was widespread. During a study, it was found that this change in the distribution system was initiated under a directive from the new COO. The COO had arrived from another organization that had a worldwide distribution network.

An intrinsic element that was missing in the above scenario was a thorough study analyzing the need for change, market conditions, and identifying what exactly needed to be amended before initiating any change. This is not an isolated incident. Organizations initiate change without proper, in-depth study of current limitations and the need to change, or without strategically identifying the area of change. In general, organizations understand the market forces such as, competition, user demand, suppliers, political forces, legal, and environmental changes that affect them (Porter,2008).

This is not always the case when internal efficiencies of an organization's components, such as, departmental divisions, product lines, and Strategic Business Units (SBUs) are considered. In this paper, we will refer to all of these as Value Components (VC). Added to the usual puzzle is the inconsistency between the components and their success stories. This paper provides a conceptual framework for progress of all the components of an organization: those that are successful as well as those failing in their goals.

The failing VCs are most often attributed to either lack of proper managerial skills or to outdated competencies. Excessive emphasis on change (Sushil, 2005) and other factors point to the use of inefficient technologies by the division, incompetent staff, or simply a better product by a competitor. Additionally, complexities such as issues of pet divisions, preferred products, and proximity to executives hinder the management from recognizing its own shortcomings.

As a result of such complexities, often times, VC are not targeted for improvement capabilities of any given organization, a VC or a division. The model also provides a snapshot of an organization's placement on the progress path vis-à-vis the top leadership in industry. Our model presents five levels of capabilities that can be applied to functions, processes, and competencies for any organization. Using this model, an organization can classify its units or its components anytime. Based on competencies, productivity, and market leadership, the model begins by identifying where a process or a VC can be classified within the five defined levels of capabilities. Representation of the model in figure 1, shows higher levels of capabilities represent increased levels of competencies, productivity, and market leadership. Progress to a higher level in the model ensures lower risks and fewer competitors as compared to the lower or increased efficiencies. In other situations, after consistently failing to fix certain aspects of a process, an organization.

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Levels. By applying this model, one can categorize capabilities of an entity within an organization and map the path to keeps the processes in-house, tolerates the failing process, and justifies it by naming it critical. It is not surprising that in such a scenario, a profit center turns into a cost center over time. There are two central issues that underline the choice of competitive strategy (a) factors that determine attractiveness of the industry for long-term profitability-failing and failed VC are nothing but drag, and (b) relative competitive position within an industry (Porter 1998). A failing VC does not add to operational or organizational effectiveness; although necessary for superior performance, is not sufficient (Porter, 1996). The CPM model extrapolates by suggesting that even if a VC is core for an organization's operations, it should be evaluated and a proper strategy created for enhancement of the organization as a whole.

A systematic appraisal of a company's resources and capabilities provides the basis for reconsidering a strategy and for exploring cooperative strategies and alliances that provide a competitive edge in addition to creating innovation. An organization needs to deploy its strengths to maximize advantages and minimize its vulnerability to its weaknesses (Grant, 2005). At a macro level, after scaling the VCs on success factors, all organizations have certain options to enhance growth: (a) to merge with another organization, (b) to sell nonperforming assets to other companies by flouting into smaller VCs, (c) to control costs by outsourcing non-critical functions, or (d) to reorganize and reengineer critical functions for essential VC. From a strategic point of view, we present a conceptual model for an organization to follow. Our model uses Grant's framework (Grant, 2005) to identify and categorize VC and to redefine organizational strategies to survive, succeed, and to become an industry leader.

CAPABILITY AND PROGRESS MODEL

We begin by presenting our model, The Capability and Progress Model, which introduces a concept to categorize maintaining or enhancing competitive advantage. Strategically, it also identifies the risk factor associated with each of the five levels. We now identify the characteristics of each level that enable us to map five categories of organizational capabilities

Level 1: A startup, novice organization or a division with new resources and products

Novice organization: An organization new to a field or activity at this level, a new organization or a division has inadequate experience and limited procedures. Its experience is in people, that is, workers with similar prior experiences; otherwise it is an experimental undertaking. Organizations have the maximum risk at this stage since the outcomes are not definite. A major effort is put into establishing departments, products, and/or in creating its identity. Therefore, new methods and procedures are created and executed dynamically. Methodologies and procedural executions may vary among its workers. There is no specified separation or integration of duties and resources.

Level 2: An established organization or a VC of a big organization

Established organization: An organization that has been in business for a period of time and is sufficiently successful to suggest likely continuation or permanence the workforce of an organization at the second level is experienced and generally knows how to proceed in a particular scenario. Even though there are new challenges, there is certainly some semblance of experience and familiarity to current processes. At this stage, a given organization starts to create a set of methods for tracking, costing, and scheduling tasks. The processes are repetitive with no change. New processes and functions face challenges similar to the once in level 1. Integration at this level is ad hoc and informal and there are few ground rules

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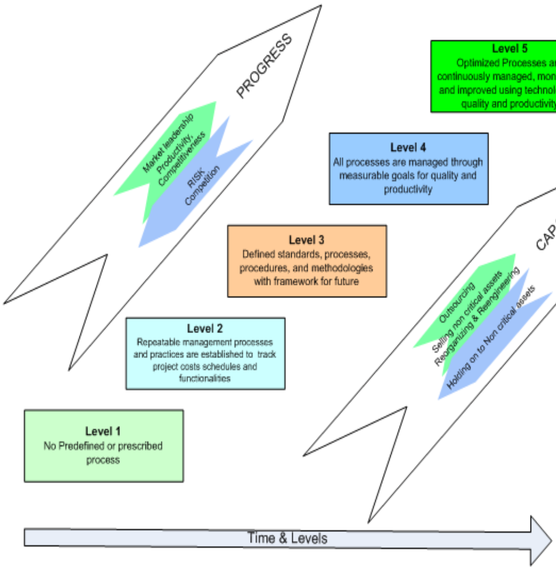

Figure 1. A Pictorial Representation: The Capability and Progress Model laid down. At this level, the growth may be steady but often suffers from awkwardness in dealing with outsiders and from lack of internal coordination. Entrepreneurial skills are gradually replaced by more professional management techniques and skills.

Level 3: An Adept organization or VC of a big organization

Adept organization: An organization is identified as having attained a specific level of knowledge, skill, or aptitude in doctrines relevant to a particular business at this level of an organization; all its known processes are defined and there are set standards in place. Methodologies are developed and strictly

Level 4: A Quality organization or VC of a big organization

Quality organization: An Organization that continually monitors the appropriateness, effectiveness, and quality of its products and services an organization categorized at level 4 has measurable goals and implementation of controls that lead to products and/or services that have the highest quality. Well established processes within the organization create the most efficient methods for productivity and quality gains. An organization at this level has mastered its environment and is serving the needs of its clients. Top teams in the industry are in control and have experienced leaders and processes in operation. At this level, external factor s and organizational strategy play an essential role in staying ahead of the competition. The challenge is to learn, create, and adapt the strategy to withstand ongoing variations in the business environment and rise of any new competition.

Level 5: A Leader organization or VC of a big organization

Leader organization: An organization evolving and executing practical strategies in today's global marketplace with ever accelerating pace of change, and a clear focus on all aspects of organizational development At the leadership level, adapting and learning from measurements of level 4 are complete and a continuous improvement process for the most recently created and enhanced capabilities are instituted. Strategic changes are made as and when needed and put into operation.

Being in the forefront creates its own risks for an organization. Even so, overall, the competitiveness of an organization at this stage is unquestionable as an industry leader. To stay at this level, an organization needs to create, dissolve, and/or re-architect its capabilities incessantly. In order to sustain a position as an industry leader the organization must demonstrate an Adhered to when resolving a problem or while mapping solutions. These methodologies provide guidelines and The CPM model extrapolates by suggesting that even if a VC is core for an organization's operations, it should be evaluated and a proper strategy created for enhancement of the organization as a whole innovative ability to invent and create new products, integrate these products with processes, and realign flexibilities to determine unknowns and any new issues that may arise. There is cohesiveness between functional units and that provides for aptness towards integrating various units.

As the market forces notice the emerging competition, the environment, and factors change for each player. Therefore, an organization categorized at level 3 is inherently in a highly unstable and truly volatile state at any given instance in time. This stage requires careful analysis, support for growth and investment to move to next level. A good example of an organization in this stage is The Chemical Bank as it was in the early 1990s. It evolved to a new level when its leadership took bold steps to acquire MHT and Chase Banks (J.P. Morgan Chase & Co. 2001). Process to meet the Changing needs of the organization. Additionally the organization must demonstrate sustentative and repeatable successes. The new products and processes define a competitive advantage and set a target for other organization to follow.

The result is a creation of a leader in the industry. IBM and GE are prime examples of organizations that have carved a leadership role in their respective industries (Bryn, 2005). These organizations have advanced level of unit integration and knowledgebase that are extensively utilized. In recent years, companies are managing their activities and relationships with suppliers as network, rather than production lines. By doing this, the companies have swapped their tightly coupled processes for loosely coupled Ones, thereby, gaining much needed flexibility, and also improving their performance in the bargain. The CPM framework once applied, and implemented will enable organizations to shortlist areas and processes that can be outsourced, sold, or reengineered, not only for survival, but also for sustained growth. As a recent trend in many sectors, organizations are making headway in the market place by means of strategically using cooperative alliances. A corporation benefits by combining the most usable and the best of VCs available from different suppliers. For example, organizations such as E*Trade, e-banking, and financial organizations with minimal or no banking infrastructure have entered the banking business successfully. They leverage the combined power of special product-focused companies, such as Internet Service Providers, standalone ATMs, and the credit card companies.

THE CAPABILITY AND PROGRESS MODEL RESPONSES

A framework for analyzing resources and capabilities of an organization (Grant 2005) is logically linked to the Capability and Progress Model. Figure 2, illustrates this connection and shows the significance of analyzing resources and capabilities to track the progress of an organization through the various levels presented in the previous section.

In this section, we discuss broad, key issues that arise while developing strategic

(a) When should a division or VC of an organization be sold or separated as an independent organization?

Successful organizations usually develop capabilities and expertise in areas that become an envy of others. Strategically speaking, if the division is no longer at the core of the business and the CPM model suggests that it is at a low level of capability then this division/VC can be subdivided. This divided or separated division will benefit from unrestricted competition, exposure to different clients, and higher volume, among other factors. Organizations can leverage certain VC to achieve the maximum benefit by selling a VC to another organization, or rolling it out as a separate organization. Some examples of these kinds of transactions in the market place in recent years are:

- IBMs rolling over its laptop business to Lenvo and,
- AT&T dividing into smaller bells.

(b) When must an organization buy another company to supplement its processes?

As in the case in selling non-core divisions, an organization can also benefit by buying units of other organizations for improving its core functionalities. This will bring in extra business, expanded functionalities, and improve workings by enhancing capabilities. Organizations can use this as a strategy to strengthen Plans for an organization. We present these issues as direct questions that relate to creating cooperative

By applying CPM model, one can categorize capabilities of an entity within an organization and map the path to maintaining or enhancing competitive advantage.

Their core businesses. The CPM model can help in evaluating the stage of business being bought. For example, IBM has strategic alliances for the Purpose of making progress through the levels of the Capability and Maturity Model.

(c) Which function of an organization should be outsourced? And why?

An organization needs to evaluate its internal non-core functions in comparison with other companies that have those functions at the core. A seriously consideration should be given to outsourcing the non-core functions. Examples of such functions include, managing employee compensations such as salary, health insurance, retirement, benefits, and other Human Resources related activities that are essential and are required by all organizations. These functions are non-core for most organizations. As an explicit example, let us consider an organization like ADP that has these functions at its core. ADP proves to be a good example because it also leads the market with the widest range of HR related business process and management services that require extensive processing and recordkeeping. Once the organization decides to outsource its HR functions, for example, to ADP, the organization will gain productivity in that locale perhaps of level 4 or 5. ADP will bring to its customer (that is the said organization) its extensive experience, high productivity, use of latest technologies and best practices, and knowledge of regulatory requirements. Many well developed products such as Web sphere and DB2 in its arsenal. These products are also at a very high level in the CPM ladder. IBM bought a DB company called Informix to gain added level of maturity in the RDBMS space, and supplement its cutting-edge technology. Additionally, it provided IBM DB more marketability (Verton, 2001).

(d) When should an organization enter into strategic alliances for product development?

If a certain product is sought by more than one organization as a core for expansion and the organizations alone lack capabilities to produce such a product, it makes strategic sense for these organizations to join together. This enables them to combine their niche capabilities and create a better product at lower cost and with better functionalities. For example, in the computer industry, it is not uncommon for companies to collaborate in order to face a common competitor by creating a new line of products. As an example, IBM and SUN collaborated for creating the open standards for JAVA to challenge the supremacy of Microsoft products and the rise of .Net architecture.

(e) When should an organization enter into alliances to boost its chances of survival?

Making alliances is a powerful strategy that allows companies to cooperate in producing certain products or

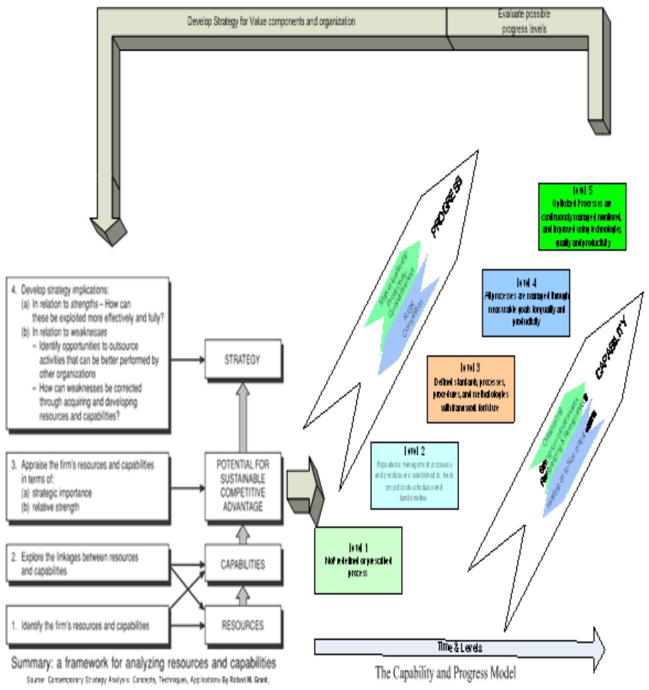

Figure 2. Resources, Capabilities and Progress combining their products to strengthen offerings. Among other things, a lack of, or a need of resources by organizations is usually one of the prime reasons for building such alliances. Resources and capabilities can be evaluated using the framework for analyzing resources and capabilities of an organization (Grant 2005) and the CPM as presented in Figure 2. There are several success stories of strong alliances. In the Airline industry for.

CONCLUSION

(Porter, 1998) notes that competition is at the core of the success or failure of firms. Competition determines the appropriateness of a firm's activities such as, innovations, a cohesive culture, or implementing appropriate changes and can contribute to its performance. The Capability and Progress Model provides a framework for organizational strategy while emphasizing the idea of cooperative example, small carriers have combined to form a number of worldwide alliances. In this case the alliances have.

To stay at the leadership level, an organization needs to create, dissolve, and/or re-architect its capabilities incessantly alliances to gain competitive advantage. Although a number of external factors contribute to an organizations given the organizations the look and feel of a bigger airline, with a larger number of routes, combined service desks, and single booking system. All this adds to a public perception of oneness, for example in case of the airline network, Star Alliance.

(f) Why should a process or a VC be kept under an organization's wings?

The CPM model provides organizations a roadmap that answers its most strategic questions such as, how to evaluate its divisions and products and which ones of these should be nurtured to grow, and which ones should be let go. Each of the divisions and product lines need to be periodically evaluated by looking at the necessities, criticalities, and functions. Ones evaluated, based on market conditions, costs and availability, the results can point to beneficial possibilities leading from outsourcing, sale, or a possible spin-off (Gartner Inc., 2003; Craumer, 2002; Baxendale, 2004).

Performance, internally, it is critical to have knowledge and understanding of the limits of efficiencies that can be achieved by the VC. By evaluating the critical and core VC, organizations can focus on creating strategies that can enhance overall efficiencies. Taken as a whole, the strategy created by this will help place an organization in a competitive position in industry. The implementation of the CPM framework will also help in establishing a profitable and sustainable position against forces that determine industry competition. It will make the firm more attractive for long-term profitability as the risks are distributed and efficiencies are maximized. As further work in this area, we will continue to develop implementation strategies for the CPM framework as well as measurement matrices for evaluation of different industries. Additionally, methodologies for execution of outcomes from our model can be developed.

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