

SUMMARY

Strategic Management *for Tourism, Hospitality and Events*

Introduction

In this session:

- themes in strategic management for THE;
- strategic management for THE – a disciplinary dilemma?
- strategic management overview;
- approaches to the study of strategic management:
 - the prescriptive versus emergent strategy debate;
 - the competitive positioning versus resource/core competence debate;
- towards an integrated approach to strategy;
- key strategic management writers;
- strategy in practice – how should it be presented;
- suggested guidelines for the presentation of strategy.

Themes in Strategic Management for THE

What's it all about?

- A business management oriented approach to THE studies has evolved over the past thirty years.
 - The study of strategic management is a part of this development.
- it is what is sometimes called a capstone module on many courses because strategic management:
 - takes a holistic approach integrating the study of different business subjects such as human resource management, finance and marketing;
 - is usually studied towards the end of courses so that prior knowledge of relevant underpinning subjects can be integrated appropriately;
 - takes a **'real-world'** perspective in that, just as in business itself, there is rarely a **'right'** or **'wrong'** answer;
 - is concerned with **'the big issues'** – the analysis of issues, and the formulation and implementation of strategies to address the issues identified.

Themes in Strategic Management for THE

THE – defining characteristics

- THE are frequently referred to as **industries**, though we have generally used the terminology **sectors** to describe the constituent parts of the linked THE industry.
 - Whatever terminology is used, managers working within these contexts are driven by the practical needs of organisations seeking commercial success.
- Those working in THE contexts need to understand not only the actual business changes taking place, but also to have an understanding of the underlying characteristics of the industry.
 - These characteristics raise a number of managerial issues which, if not necessarily unique, are certainly highly distinctive.
- one needs to not only be knowledgeable about these characteristics and issues,
 - but also to recognise the potential managerial responses that are possible and the impact they might have.

Strategic Management for THE

A disciplinary dilemma?

- Strategic management is a comparatively young **discipline**.
 - if indeed it can be called a discipline when it is a multi and inter-disciplinary **field** of study;
 - Strategists draw heavily upon other fields as diverse as organisation behaviour, economics, finance, and marketing.
- The theories, tools and techniques employed in strategic management in many cases are far from fully formulated.
 - The subject will continue to evolve and improve over time.
- It is also the case that the studies of THE are relatively recent in their origins, and there is some doubt they are disciplines at all (Tribe, 1997).
- Thus THE and strategy have much in common and draw heavily from other diverse fields.

Strategic Management Overview

- In all industries, including the component sectors of THE, some organisations prove to be more successful than others.
- Superior performers conceivably possess something special that competitors do not have access to that allows them to outperform their rivals.
- the sources of competitive advantage lie in combining:
 - the superior application of **competencies** (skills);
 - the deployment of superior **resources** (assets);
 - increasing **value** for consumers;
- **Sustainability** is achieved when the advantage resists erosion.
- Thus to achieve the goal of competitive advantage managers must have an understanding of how value is added in an organisation, and a number of approaches have been used.

Strategic Management

Approaches and debates

- The development of strategy as a coherent academic study is reflected in two related debates around what is the most appropriate approach to strategic management.
 - Some writers advocate an approach to strategic management which is **planned** or **prescriptive** (sometimes called **deliberate**).
 - Others argue that it is better to evolve strategy incrementally: the **emergent** approach to strategy.
- a parallel debate centres on whether competitive advantage stems primarily from
 - the competitive position of the business in its industry; or from
 - business-specific **core competencies**.

Comparison of Prescriptive and Emergent Approaches

Prescriptive (Deliberate, Planned) Strategy		
<i>Strategic Implications</i>	<i>Advantages</i>	<i>Criticisms</i>
<ul style="list-style-type: none"> • Strategic management is a highly formalised planning process • Business objectives are set & strategies are formulated & implemented to achieve them 	<ul style="list-style-type: none"> • Clear objectives provide focus for the business • Objectives can be translated into targets against which performance can be measured & monitored • Resources can be allocated to specific objectives & efficiency can be judged • The approach is logical & rational 	<ul style="list-style-type: none"> • There are often major discrepancies between planned & realised strategy • Rigid planning in a dynamic & turbulent business environment can be unproductive • Prescriptions can stifle creativity • Rigid adherence to plans may mean missed business opportunities
Emergent (Incremental) Strategy		
<i>Strategic Implications</i>	<i>Advantages</i>	<i>Criticisms</i>
<ul style="list-style-type: none"> • Strategy emerges & develops incrementally over time in the absence of rigid planning 	<ul style="list-style-type: none"> • Emergent strategy increases flexibility in a turbulent environment allowing the business to respond to threats & exploit opportunities • Changing stakeholder interactions can mean that strategy is often of necessity emergent 	<ul style="list-style-type: none"> • There is a danger of strategic drift as objectives lack clarity. • It is more difficult to evaluate performance as targets are less well defined.

Comparison of Competitive Positioning and Resource or Competence-Based Schools

Competitive Positioning School		
<i>Strategic Implications</i>	<i>Advantages</i>	<i>Criticisms</i>
<ul style="list-style-type: none"> • Competitive advantage results from an organisation's position in respect of its industry. • The business analyses the strength of the competitive forces in its industry & selects an appropriate generic strategy. The business configures its value adding activities to support this generic strategy. • The approach to strategy is outside-in. 	<ul style="list-style-type: none"> • Well-developed analytical frameworks like Porter's five forces, value chain & generic strategies. • Structured approach helps to simplify the complexity of business & the business environment.. • Good for identifying opportunities & threats in the environment. 	<ul style="list-style-type: none"> • Neglects importance of business-specific competencies as opposed to industry wide factors. • Some of the analytical frameworks (e.g. generic strategies) have been widely criticised.
Resource or Competence Based School		
<i>Strategic Implications</i>	<i>Advantages</i>	<i>Criticisms</i>
<ul style="list-style-type: none"> • Organizations must identify & build core competencies or distinctive capabilities which can be leveraged in a number of markets. • The school's approach to strategy is inside-out. 	<ul style="list-style-type: none"> • The school emphasises the importance of the individual business in acquiring competitive advantage. • Strategic intent, vision & creativity are emphasised. 	<ul style="list-style-type: none"> • Analytical frameworks are rather poorly developed. • The importance of the environment in determining competitive advantage is underestimated.

The Contribution of Each Approach

A combined understanding

- Each approach has its merits and limitations.
 - as any approach would when dealing with complexity and change;
 - but by acknowledging the contribution of each, managers can arrive at an enriched method of understanding strategic management;
 - it is suggested that strategy must be both **inward** and **outward** looking, **planned** and **emergent**. By adopting this synthesis a broader understanding of competitive advantage can be gained.

Strategic Management Approaches & Schools: Contribution

<i>Approach/School</i>	<i>Contribution</i>
<i>Prescriptive (Planned, Deliberate)</i>	A degree of planning is necessary to provide focus for the strategy of the organisation & to assist in the evaluation of performance
<i>Emergent/incremental</i>	Plans must always be flexible to allow organisations to learn & adapt to changes in the environment.
<i>Competitive positioning</i>	Emphasises the importance of the environment & provides useful tools for analysing the business in the context of its industry.
<i>Resource/competence based</i>	Focuses on the importance of the business & assists in identifying company-specific sources of competitive advantage.

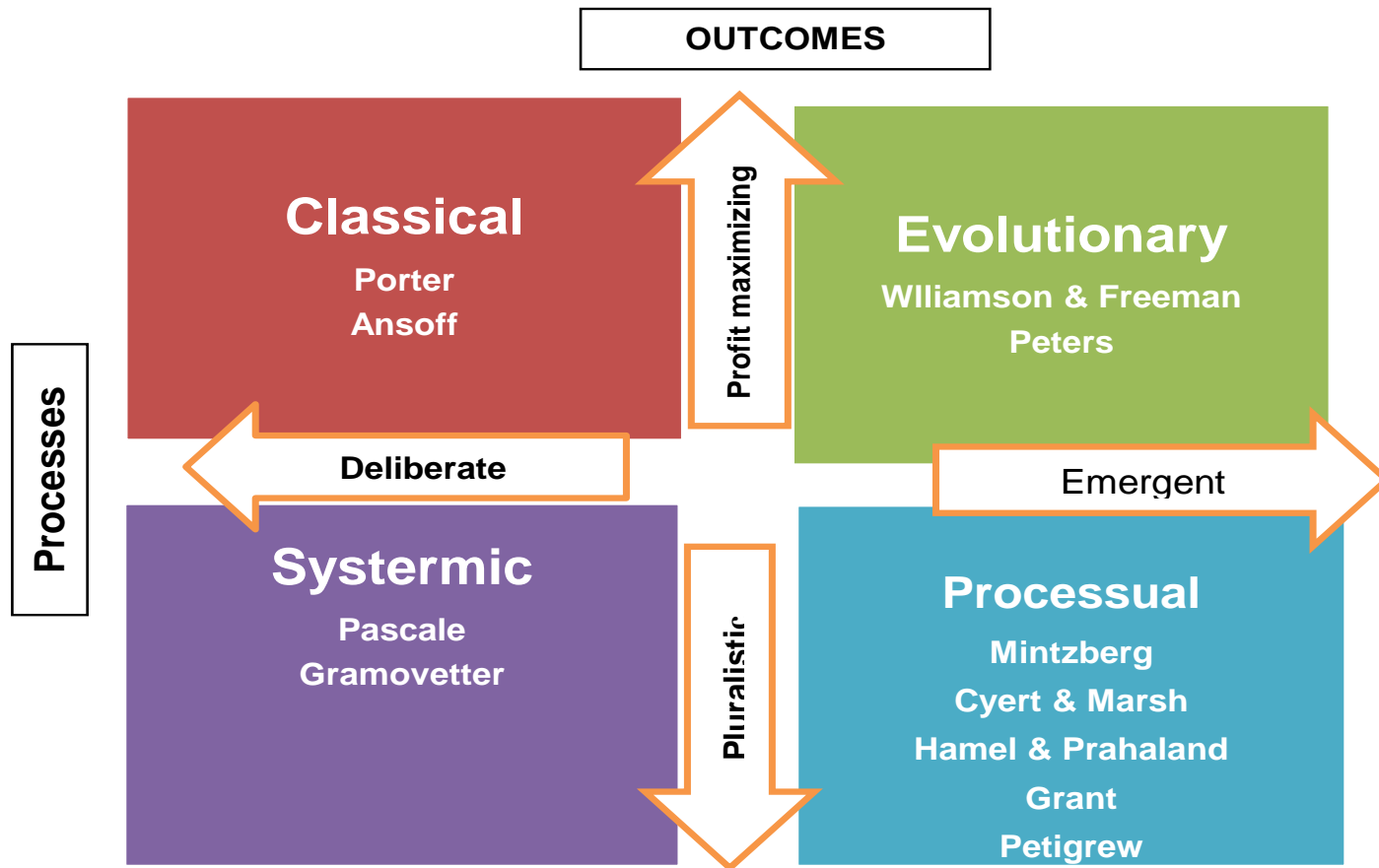
Strategic Management Writers

A categorisation

- building on the categorisation into prescriptive and emergent, Whittington (2001) adds two further opposing variables, those of
 - desired outcomes which might be **profit-maximisation** or **pluralistic** (pursuing several objectives);
- The variables allow Whittington to identify four approaches to strategy:
 - **classical** – stresses rationality and analysis;
 - **evolutionary** – stresses the unpredictability of the environment which makes irrelevant much of what is traditionally regarded as strategic analysis;
 - **processual** – a pragmatic view of strategy. The world and our knowledge are imperfect so organisations have to take account of this in their strategic processes.
 - **systemic** – In this view strategy will in part reflect the social system in which it occurs.

Whittington's Four Strategy Types

A conceptualisation of strategy and key writers



Source: Adapted from Jones (2004) based on Whittington (1993)

Strategy in Practice

How should strategy be presented?

Factors determining the way in which organisations present their strategies	
<i>Factor</i>	<i>Implication</i>
• Who the strategy is aimed at	➤ Is it aimed mainly at the owners or is it aimed at a range of stakeholders? Those aimed predominantly at shareholders and other investors will focus on financial information & financial prospects for the future.
• Private or public companies	➤ Private companies normally do not disclose as much information as public companies because they do not need to do so to attract investment & inform shareholders. In many private companies the strategy may be closely aligned with those of the leader/owner.
• Size and complexity	➤ Some strategies are written for large and complex organisations in dynamic environments & therefore has to address a wide range of issues. Other strategies may be written for smaller less complex organisations & the range of issues is narrower.
• Competitive pressures	➤ Sometimes the strategy (at least its published version) is deliberately vague or ambiguous. This reflects the competitive environment where the organisation will not want to divulge too much information.
• Strategic approach	➤ Different approaches to strategy have developed. In particular prescriptive vs emergent views have been highlighted. Prescriptive implies a detailed process has been undertaken & a strategic plan has been prepared. Emergent view implies that the environment is too turbulent for a strategy to be written or that it should be minimalist in style.

Strategy in Practice

Common differences in presentation

<i>Factor</i>	<i>Implication</i>
Length	<ul style="list-style-type: none">• Some strategies are long and complex;• Some strategies are short and simple;• In some cases the strategy is mainly presented as a short summary with supporting reports and appendices that provide evidence and analysis.
Style	<ul style="list-style-type: none">• Some strategies are very colourful, professionally produced documents with many elaborate charts and illustrations;• Other strategies are drab and have few illustrations.
Language	<ul style="list-style-type: none">• Some strategies use very simple language while others are laden with jargon.
Strategic terminology	<ul style="list-style-type: none">• In many cases organisations will avoid using the strategic terminology;• This is because if the strategy is explained in non-technical language it has meaning for all the stakeholders involved.
Detail	<ul style="list-style-type: none">• Some strategies are highly detailed and can be applied to all parts of the business;• Other strategies lack detail and apply only to the organisation as a whole.