

# THE HISTORY AND EVOLUTION OF STRATEGIC MANAGEMENT THINKING

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## ABSTRACT

*While the evolution of strategic management thinking has taken place through a succession of methodological or conceptual breakthroughs, corporates practice, with its diversity of implemented experiences, is following a more continuous and progressive evolutionary process. Beyond the fads, the dogmatic oppositions between a rational-analytical approach and a mobilizing processing for people and organizations, one point remains: strategy-making can be rational or irrational, based on planigarchy (all-pervasive planning) or on a visionary leading pattern, by largely involving people or neglecting them, while strategy implementation requires the participation, conviction and effort of everyone in the enterprise. It is also at their implementation level that strategies become competitive, unless newly elaborated. From the above and taking all these elements into account, our problematic is articulated as follows: What is the history and how has strategic management evolved?*

*With this in mind, the article will be devoted to identifying the actors contributing or having contributed significantly to shaping the field of the theory and practice of corporate strategy and strategic management in general. The analysis of their respective influence and their relationships will also be addressed.*

**Keywords:** Enterprise, Thinking, Management, Strategy, Planigarchy.

## INTRODUCTION

If the usage of words is exhausting, the usage of concepts is even more so. The field of corporate strategy is illustrative of this. In it vogues follow one another in rapid succession. Tools, analytical frameworks, and approaches are alternatively praised and quickly criticized, neglected, and consigned to the dustbin of strategic thinking history. It can seem quite challenging for the uninitiated to find their way through the different strata resulting from these evolutions of dominant currents in strategic thinking and practice.

On one hand, the actors contributing generating these developments are diverse, and the dynamics of their respective influence and interrelationships are complex. On the other hand, the theory of the firm's strategic management is built on the ruins inherited from the various past conceptual models. Moreover, under the laudable pretext of progress, schools of thought often clash in a dogmatic manner. Finally, the practices of businesses often seem to differ greatly from theoretical considerations, and the concerns of industrial decision-makers remain relatively distant from planning procedures or from the latest competitive analysis techniques.

To illustrate these findings, the approach proposed in this article is to shed light on the situation of the art in the corporate strategy.

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## LITERATURE REVIEW

### Actors

Three major groups of actors have contributed to the advancement of knowledge and the development of expertise to establish the actual state of the art in business strategy and planning. These are academics, consultancies and the companies themselves. However, this latter component must itself be broken down. Indeed, it is important to distinguish between decision-makers on the one hand, and on the other hand corporate planners, members of the functional departments of strategy and/or planning. Paradoxically, government administration plays a very modest role in this context, with few exceptions such as the procedure for planning contracts, for example.

The complex issues of relationship and influence between these actors have strongly shaped the historical evolution of strategic thinking and practice.

On one side are corporate decision-makers. Often unaware of researchers' concerns, they arbitrate on a daily basis. Their micro-decisions regarding resource allocation shape the companies. Their information is imperfect, their strategic perception is biased, and their decision-making is partially irrational. Nevertheless, they also develop their strategy as they move forward. Their problem is more about successfully implementing these strategies than analyzing in detail the advantages and disadvantages.

At the opposite, strategy researchers are companies' observers. They operate in a world made of concepts, ideas, hypotheses, doubts and inter mounted, contradictory theories. Unlike corporate decision-makers, they are not subject to the pressure of action, nor to the imperative to forge daily certainties that alone allow them to make decisions. They do not hesitate to argue with each other between opposing ways of thought, which can be even more rewarding when they are noisy.

Between these two sets of actors in the strategy field, there are those functional roles in the planning and/or strategy departments of organizations. They generally act as advisors and prescribers to decision-makers. These corporate planners, along with some teachers and consultants, are grouped together in France, for example, in the AFPLANE (Klipfel, 1982), the French Association of Enterprise Planning. The latter is the institutional and illustrative representative of what can best be described as a planigarchy, this world in which all those who attempt to illuminate the strategic horizons of corporate decision-makers are immersed. The planigarchy is very fond of innovative strategic approaches, just as it is critical and even destructive when it comes to familiar tools and concepts. It plays the roles a kind of a sounding board, considerably amplify in given the slightest tremors of strategic thinking and methodology. In doing so, planigarchy makes and breaks conceptual trends. And it is indeed through this planigarchy that compartmentalization can take place: it is through it that contacts and exchanges with business economists and futurists should be promoted. Michel Godet (Godet, 1985), in his latest release take greatly part of this approach.

The consultants form the final group of significant actors. They essentially have a role of support and methodological transfer. They draw on the theoretical contributions of researchers but rather stand and position themselves as prescribers of the industrial decision-maker.

Naturally, these major categories of actors interpenetrate. Teachers go into consultancy; consultants are hired by companies, planning functionaries 'access decision-making responsibilities... The planigarchy envies the decision-makers their power and the consultants their independence, while the decision-makers envy the teacher-researcher's duty of doubt and

conceptual distance, and so on. At the same time, everyone seems to find amusement in the constraints faced by others.

Schematically, the logical interplay of relationships and roles of each would dictate that researchers, observing and conceptualizing the managerial modes within companies, have an influence on the planigarchy, either directly or via consultants, consequently shaping the managerial practices of decision-makers. However, the historical evolution of strategic thinking reveals a divergent reality.

## **Corporate strategy: The Evolution of Thinking**

### **The Rational School:**

#### ***The planning:***

Historically, the development of corporate strategy has relied on the early work of planning theorists. I. Ansoff (Ansoff, 1965) symbolizes this classical or neoclassical school of firm organization, characterized by keywords which are matrix organizations "Staff and Line," objective-oriented management, decentralized mode of operational decision-making, etc. P. Drucker or O. G linier are its main representatives. Precisely, founded on this organizational basis, the initial planning works within the company are highly structured and technocratic, even disembodied mechanistic. Ansoff's first model, which he partially disavows today, serves as an illustrative example in this regard. In essence, this model follows the following logic:

The Board of Directors establishes objectives of a quasi-political nature for the company. Within this framework, the General Management Administration assigns strategic goals based on past performance and internal and external analysis using the "SWOT" approach (strengths, weaknesses, opportunities, threats).

Profit centers fore cast their operational future, assess the needs required (primarily financial)to improve their performance.

Given the persistent gaps between the assigned strategic objectives and the expected improved results, the General Management Administration seeks to bridge this "strategic gap" through channels such as diversification, market expansion, etc.

This approach, of which only the strategic stage is mentioned here, finds its culmination in the old PPBC "Plan, Program, Budget and Control", which is a concrete formulation of the planning process of the functional bureaucracy within the company. At the same time, the American administration, under the impetus of Mc Namara at the Department of Defense, relied on the notion of PPBS, "Planning, Programming, Budgeting, Systems" in an effort to coordinate and, no doubt, also control the various army corps. More modern forms of this planning school exist with the works of Vancil and Lorange (Vancil & Lorange, 1975-1976). The excellent Lorange's (Lorange, 1980) publication, as well as the recent one of Ansoff (Ansoff, 1984), clearly illustrate the progress made since the early sixties. In the meantime, companies have been able to compare their experience with theory, and the latter has evolved. Nevertheless, the conceptual vein remains the same.

## **Analytical School of Positioning**

Starting from this first approach of planning, equally normative and analytical works have evolved this field towards a less planner-focused and more strategic direction. The terms "Corporate Strategy" and "Business Strategy" then became the norm and partially replaced the previous focus on "Corporate Planning". They refer respectively, on the one hand, to the problematic of allocating resources at the level of the firm's portfolio of activities and, on the other hand, to the medium-term orientation of a specific segment of activity. Strangely, within the entirety of planning and strategy actors, it is the consulting firms that drive, materialize, and formalize this conceptual evolution. As early as the end of the sixties, Bruce Henderson and the BCG (Boston Consulting Group) have developed quantitative tools for positioning the firm's product-market pairs on its markets, in relation to its competitors, and draw normative insights on resources allocation and management of the company's business portfolio.

They rely on the concept of experience curve, which is a generalization of the learning curve, originally highlighted during the 30s and 40s, particularly at Boeing on the product life cycle and on strategic segmentation. Other firms, such as Mc Kinsey/General Electric and Arthur D. Little, propose similar yet differentiated matrix positioning models, with more qualitative and multi-criteria matrices, which stay typical examples. Other firms, including defectors from BCG, also made their contributions, such as Braxton, Telesis, Mars, SPA or Bain, however, the conceptual trend remains fundamentally the same, although it became more sophisticated and diversified over the course of the seventies. In its early days, this school of positioning received a wonderful welcome by the planigarchy. Concurrently, the Governing Administration begins to show interest in these approaches, as exemplified by the request made to BCG by the General Commissariat for Planning around 1977 to attempt to extrapolate this competitive positioning approach to the problematic of national planning.

Scalded by a first attempt made in the case of Sweden in 1975, the BCG proposed to draw up the report we know today (BCG, 1980). The initial response from academics and strategy researchers was initially favorable. The latter first jumped on the bandwagon, either wholly or partially embracing this methodological breakthrough, and then quite legitimately began to criticize it and systematically seeking its limitations.(Haspelag, 1982), (Bernascon, 1983), (Bodinat H, 1982); (THIETART, 1984) or (Martinet, 1983) illustrate this critical recuperation, which in some cases becomes expeditious execution. The analytical tools mentioned, in particular, are entirely unsuited to the strategic issues faced by SMEs. Works have been developed, albeit belatedly, on this precise theme, leading to the creation of a specialized literature (Horowitz & Pitol Belin, 1984). At the same time, the widely disseminated analytical tools developed by consulting firms prompted the planigarchy within companies to adopt them. Clumsiness of implementation and interpretation, combined with criticism from academics, most of it well-founded, contributed to this school of positioning coming under attack from all sides. In response, (Seeger, 1984) feels the need to reiterate the contribution of this approach, and blamed incompetent's users sorcerer's apprentices for the errors occasionally attributed exclusively to the tools.

## The Statistical Approach

On the fringes of the positioning school lies the specific case of PIMS (Profit Impact of Marketing Strategies). This approach has now become a classic as it embodies the application of quantitative, mechanistic, and extrapolative statistical techniques in the field of strategy. Let us recall that it consists of an extensive database containing more than 2,000 different activities within a hundred or so companies, and characterized by more than 150 variables. Systematic

regression analyses reveal that around thirty-seven variables explain 80% of ROI, an adopted performance indicator. Subsequently, an enterprise can then have the opportunity to anonymously compare itself to other PIMS database members and assess its standing on the scale of each key variable relevant to its sector. Depending on the relative importance of each of these variables, it can then highlight the characteristics of its behavior, management methods, and structure that make it more or less successful, and accordingly take appropriate action.

### **Analysis of the competitive environment**

An impressive and landmark work in the history of strategy is that of (Porter, 1980). Porter's contributions complement those of the planning school and the positioning school. They remain in line with a rational approach to strategy and attempts to provide a global framework that takes into account the entire interplay of competitive forces to which the company is subject. This approach is strongly inspired by the teachings of Industrial Economics applying them specifically to the firm's strategic issues. Porter will draw on one to fertilize the other.

In particular, he helped to free strategic analysis from the straitjacket of cost logic and mass production, in which the experience curve and its interpretations had partly confined it. He emphasizes the importance of purchasing criteria other than price alone and proposes generic strategies corresponding to different competitive logics: strategy of mass production and cost reduction, strategy of differentiation and niche strategy. Consulting firms follow suit, transforming their matrices and other tools to take account of these alternative strategic registers and conducting analyses of the essential aspects of competitiveness that are all the various forms of service offered to the client.

Thus, BCG's latest dogma is an illustrative matrix of this desire to describe strategies adapted to different competitive environments (Volume, Specialization, Fragmentation, Deadlock). After focusing on the globalization of strategic issues by developing global strategies for multinationals, Mr. Porter has more recently turned his attention towards the interior of the enterprise. In his latest book (Porter, 1985), he takes up a concept developed as early as 1975 by G. Bennet, a defector from BCG and Bain and founder of Braxton: the concept of "activity strategy" which refers to a basic strategy adapted to each stage of added value.

By reconstructing the chain of value-added stages that contribute to the design, development, sale, and after-sales of the company's products and services, key stages emerge, connections between apparently independent products are highlighted and this enables the development of strategies for "transversally" shared trades that transcend these products. A new kind of strategic gymnastics then emerges: the competitive positioning approach, the evaluation of factors of evolution of costs, quality and associated service, that can be taken up by reasoning no longer based on a traditional segmentation in product-market couple but rather through the far more relevant logic of the value chain. Porter's contribution to the entire theoretical framework of corporate strategy is undeniable. He clearly aligns himself with an analytical movement.

### **The Behaviorist School**

In contrast to the rational and Cartesian approaches mentioned so far, a more "behaviorist" school has developed. It rejects analytical rationality and planning, but is based on the importance of the human phenomena of power, behavior, and culture that govern organizations. (Cyert & March, 1964); H. Simon or M. Crozier in France form the conceptual sources of this school. (Chandler, 1962) is, in strategy, one of the precursors, while (Mintzberg,

1982) is one of the most faithful and undoubtedly the most combative actors and representatives. Even more recently, the famous book, now available to the general public, "The Award of Excellence" by (Peters & . Waterman, 1982), has somewhat popularized and illustrated these teachings. This school is itself composed of different and overlapping currents.

### **Mintzberg Classification**

H. Mintzberg has just spent nine months reading or re-reading the hundreds of articles, approximately four meters thick, that he has been able to collect in the field of strategy over the past 20 years. He sought to highlight the main currents of thought that his readings have revealed. Thus, Mintzberg identifies ten schools of thought in the literature on corporate planning and strategy.

At the risk of falling into the trap of a false sophistication, which would consist in gorging ourselves with terms that are often not very explicit or even totally hermetic because they are not qualified here, it is not uninteresting to mention for the record these ten major currents of thought, according to Mintzberg. Three of them fall under the rational approach, while the other seven detail the movement described here as behaviorist:

### **Mintzberg lists, for the normative approaches:**

- The "design" school whose strategic process is informal,
- Clearly formalized "planning",
- Very analytical "positioning",
- Whereas within descriptive schools he identifies:
- The "entrepreneurial" school in a visionary way,
- The "cognitive" school, which he describes as mental,
- The "incrementalism", which is more adaptive
- The "political", based on phenomena of power,
- The "Mental Environment", which is more passive.
- For his part, he proposes to promote:
- The "configurative" school, with a focus on integration.

### **CONCLUSION**

The present article has attempted to outline some key lines of the state of the art in corporate strategy, in one part by evoking the actors involved, their roles and their respective influences. And on the other part by retracing the main stages of the evolution of strategic thinking, thereby putting into perspective the currently prevailing theories. And finally, by describing some key points of planning and strategic implementation process.

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