Strategic Thinking - Processual Context

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Introduction

The dimension of strategic context is where the organisation faces and manages strategic issues. Context is crucial for a number of reasons:

“Our communication and understanding of the contents and processes of strategic management have often been incomplete or blurred because we have failed to specify adequately the different socio-economic contexts and organisational types within which the strategy occurs.” Grant (1988: 10)

“The neglect of context and the role of the powerful groups within it has produced a situation in which myths abound about rational problem solving processes and linear implementation.” Pettigrew et al (1992: 7)

In order to be effective, organisations must interact and maintain strategic relationships both internally and externally. This interaction requires a degree of control and direction – especially in complex changing environments. Such control must also be varied to the changing environments of each individual organisation. In this perspective, we can utilise three inter-related contextual aspects: the stage of evolution in which the organisation is in – the evolutionary context; the external situation where the organisation operates – the situational context; and the internal structures and processes of the organisation – the organisational context.

Evolutionary Context

The evolutionary context refers to the stage of development of an organisation or its capabilities (including Information Systems Technology) at any moment in time. Figure 1 presents the basic Nolan stages of growth model that represents evolutionary growth through an expenditure curve illustrating technology introduction, a period of rapid uncontrolled growth, management control, new strategic benefits, recognition of data importance and finally maturity (Robson, 1997). In each of these phases, the organisation will experience different strategic issues.

Figure 1: Nolan Stages of Growth (Nolan, 1979)
Models of this type, allow the mapping of Information Systems Technology (IST) evolution to determine the possible appropriate action and focus to be taken. However, the evolutionary context is not so predictable when we include the modern IT marketplace. In fact, the whole situation becomes more complex when we consider the external IT environment, in that growth curves may not necessarily develop as per the traditional models (Dooley, 2000):

“Now that IT has become a commodity – a pervasive infrastructure – any company has access and any system can be instantly replicated.” Tapscott (2004: 1)

The continuous changes in the technologies being developed within the IT marketplace (both general or industry specific) mean that organisations will never have 100% knowledge of all technologies. The greater the uncertainty faced, the greater the amount of information that is needed to overcome that uncertainty (Mumford and Pettigrew, 1975). Not only do organisations need to adapt and change as technologies change, but they also need to be able to pre-empt potential changes in the IT marketplace. However, being able to predict future trends and patterns can never be 100% accurate. Therefore, strategists will face a degree of uncertainty. When we consider some of the elements that make up the IT marketplace, we find there are many areas for consideration, including hardware and software, technological trends and the changing skills base – as presented in Table 1.

<table>
<thead>
<tr>
<th>Area</th>
<th>Characteristics</th>
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<tbody>
<tr>
<td>Hardware &amp; Software</td>
<td>Due to continuous technological developments these components are constantly changing and being upgraded. Not only do current applications and hardware face upgrades, also new applications and hardware are continuously being released onto the marketplace.</td>
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<tr>
<td>Skills Base</td>
<td>As the IT marketplace matures the amount of external contract and service provisions are also growing. Not only must we consider the availability of vendors and their capabilities but also the capabilities of contractors and service providers needed to develop and implement systems.</td>
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<tr>
<td>Technology Trends</td>
<td>Within many industries, technology is developing fast. However, so is the level of uncertainty facing strategists who wish to utilise new technologies within their organisation (Timmers, 2000). This is clearly evident in areas such as ERP and e-business development.</td>
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Table 1: Key areas of the IT marketplace

More importantly, the huge investment into IST by organisations means that potentially previous investments cannot be made to replace the existing technology overnight. Organisations therefore face the issue of sustaining both legacy systems and new IST (Holland and Light, 1999).

**Situational Context**

The situational context considers the immediate, outer environment, which surrounds the organisation. These issues can again be business or IST related. Within the business situational context, organisations can be classified according to various aspects. These aspects cover areas such as industry type (food, paper, plastics etc); industry activity (manufacturing, construction, service etc) and industry structure (emerging, fragmented, mature etc). Furthermore, an organisation positions itself along the value system, such as raw materials producer, manufacturer or retailer. All of these aspects create different situational contexts for each individual organisation, which is constantly influenced (as is the evolutionary context) by various external drivers such as globalisation, IST and competitor pressures (more rapid responses, greater flexibility and lower costs), all of which can impact on the organisation (Pettigrew and Fenton, 2000). In a more fragmented and volatile marketplace, faster diffusion of
technology, the need to learn as an organisation and the propagation of diffused technologies is needed to compete (Pettigrew and Fenton, 2000). In fact, this increased speed and fragmentation of change means that as strategists we are attempting to make sense of a moving target.

The impact of a rapidly changing IT marketplace creates many issues and uncertainty for organisations also in their situational context. In the evolutionary context, aspects such as hardware & software, skills and technology trends tend to be discussed from a perspective of major change. In the situational context, this change tends to be more rapid and on a smaller scale – such as the release of new software or application upgrades. Whatever the degree of change for organisations, the impact is still a considerable issue for them.

Critically, the IST influences in the situational environments (as with the evolutionary aspects) can be both sector specific or more general across many or all sectors. This means that potentially in any one particular organisation they may be exposed to very general IST developments – such as new IST operating/application platforms – but also more specific sector/industry specific developments – such as applications specifically designed for certain industries/sectors.

Organisational Context

The organisational context comprises much more that just the organisational structure. In fact, the organisational context covers areas such as structure, culture and politics (Whipp et al, 1988). The organisational structure incorporates aspects such as the formal frameworks of relationships and the multiple structures produced by the composite actions of the individuals within the organisation. For culture, key aspects such as beliefs, meanings and rationale used to legitimise action are prime. Also, the consideration of the rules (informal and formal), that govern these actions, is key. Finally, the politics of the organisation relates both to the formal distribution of power but also to the plurality of contenders (Whipp et al, 1988).

The nature of the organisation also has an important role to play in influencing the organisational context. Issues such as size, geographical location and financial position all affect the organisation. Alongside these aspects, the more IST specific aspects such as stages of growth are also critical. More importantly, past investments in systems and resources (hardware, software and people) can also have a major influence on what capabilities exist within the organisation and which direction the strategists can take (Smits et al, 1997). At any one point in time organisations will have made decisions about resources (including IST resources). Some of these choices may be financially too expensive or operationally too difficult to reverse at a later time. These decisions that have been made in the past may ultimately affect the organisations’ future. In this sense Eriksen and Mikkelsen (1996) argued that the ‘strategy space’ of the organisation becomes limited. Future choices can be constrained by previous decisions made about IST resources, in that:

"Major irreversible choices about the time path of resource accumulation are usually made infrequently. Whenever such choices are made, the subsequent scope of the firm’s strategy space is limited. Such choices function as meta-level decisions that lock the firm into a particular path from which deviation may become increasingly difficult to accomplish, should such change of direction become necessary."  
Eriksen and Mikkelsen (1996, p. 57)

In all aspects of context – evolutionary, situational and organisational – the management and alignment of the changing aspects is crucial. In fact, the contexts within which the strategic processes are being managed are very sensitive. They can be either receptive or non-receptive (Pettigrew et al, 1992). Receptive contexts tend to be more favourable with the forward movement of the organisation, whilst the non-receptive contexts can block change and evolution. Ensuring that these contexts (mainly organisational contexts) are receptive to change is a major task of senior...
management. A major influence on this is that of key individuals and group political power on strategic development. These ‘less formal’ aspects can have a major impact on what gets decided within organisations. Ensuring that primary conditioning factors – such as leadership, structural and cultural aspects, environmental pressures and change capability – are developed and managed within the organisation will help deliver receptive contexts for the development and implementation of strategies (Pettigrew and Whipp, 1991).
References


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