Strategy Formation, Execution Capability, and Innovation- Performance Relationship to Farms' Strategic Orientation: A Study of Safaricom, Nairobi, Kenya

Alfred Kesenwa
Department of Marketing and Management
School of Business and Economics
Maseno University
Kenya

Dr. David O. Oima
Department of Accounting and Finance
School of Marketing and Management
Maseno University
Kenya

Dr. Moses Oginda
Department of Management Science
School of Marketing and Management
Maseno University, Kenya
Private Bag, MASENO
Kenya

Abstract

Effective Strategy formation, execution capability is a complex organizational resource capability that should lead to superior performance. Empirical research on strategy has examined the strategy formation capability from many perspectives. However, no study has examined a comprehensive model of strategy formation in the context of the firm`s strategic orientation. Such a model is developed and examined by this study. The results show that strategic orientation moderates the relationship between different elements of the strategy formation capability and performance. Top innovators collaborate extensively with a wide range of partners, both inside and outside their industries.

Keywords: Strategy formation; execution; innovation; strategic orientation; Mile and Snow strategy; performance.

1.0 Introduction

What goes into a good statement of strategy? Michael Porter`s seminar article ``What is strategy?"(Michael P., 1996) lay out the characteristics of strategy in a conceptual fashion, conveying the essence of strategic choices and distinguishing them from the relentless but competitively search for operational efficiency. However, further research and executive experiences have found that Porter`s article does not answer the more basic question of how to describe a particular firm`s strategy (Collins David J. and Rukstad G. M., 2008). The process of developing a strategy statement must involve rigorous, objective assessment of the firm`s capabilities and resources and those of the competitors (David J. Collins and Cynthia A. Montgomery, 1995).

Strategy formation has been at the heart of strategic management for more than three decades (e.g., Mintzberg, 1973) and is concerned with how effective strategies are shaped within firms (Chakra Varthy and Doz, 1992). In this paper, the research question is: How can the strategy formation process lead to superior performance for businesses that have adopted different strategic orientation?

A firm has competitive advantage when it has a strategy that increases effectiveness or efficiency, and is valuable, rare, and difficult to imitate (Barney, 1991).

Thus, the strategy formation capability may be a dynamic capability (Teece, Pisano, and Shuen, 1997) that when matched to the firm`s environment or strategic orientation, leads to competitive advantage. Typically, strategic issues have the following dimensions.

1.1 Strategic Issues Require Top-Management Decisions

Because strategic decisions over-arch several areas of a firm`s operations, they require top-management involvement. Usually, only top management has the perspective needed to understand the broad implications of such decisions and the power to authorize the necessary resource allocations. As top manager of Volvo GM Heavy Truck Corporation, Karl-Erling Trogen, president, wanted to push the company closer to the customer by overarching operations with service and customer relations empowering the workforce closest to the customer with greater knowledge and authority.

This strategy called for a major commitment to the parts and service end of the business where customer relations were first priority. Trogen`s philosophy was to so empower the workforce that more operating questions were handled on the line where workers worked directly with customers. He believed that the corporate headquarters should be more focused on strategic issues, such as production, quality, and marketing.

1.2 Strategic Issues Require Large Amounts of the Firm`s Resources

Strategic decisions involve substantial allocations of people, physical assets, or money that must either be redirected from internal sources or secured from outside the firm. They also commit he firm to actions over an extended period. For this reasons, they require substantial resources. Whirlpool Corporation`s quality express product delivery program exemplified a strategy that required a strong financial and personnel commitment from the company. The plan was to deliver products to customers when, where, and how they wanted them. This proprietary service uses contract logistics strategy to deliver Whirlpool, Kitchen Aid, Roper, and Estate brand appliances to 90 percent of the company`s dealer and builder customers within 24 hours and to the other 10 percent within 48 hours. In highly competitive service oriented business, achieving and maintaining customer satisfaction frequently involve a commitment from every facet of the organization.

1.3 Strategic Issues Often Affect the Firms' Long-Term Philosophy

Strategic decisions ostensibly commit the firm for a long time, typically five years; however, the impact of such decisions often last much longer. Once a firm has committed itself to a particular strategy, its image and competitive advantage usually are tied to that strategy. Firms become known in certain markets, for certain products, with certain technologies. They would jeopardize their previous gains if they shifted from these markets, products, or technology by adopting a radically different strategy.

For years, Toyota had a successful strategy of marketing its sedans in Japan. With this strategy came an image, a car for an older customer, and a competitive advantage, a traditional base for Toyota. The strategy was effective, but as its customer base grew older its strategy remained unchanged. A young customer market saw the image as unattractive and began to seek out other manufacturers. Toyota`s strategic task in foreign markets is to formulate and implement a strategy that will reignite interest in its image.

1.3.1

As its first stop on the road to high performance, Safaricom defined its stakeholders and their needs. The firm created a high level of employee satisfaction which led to higher effort, which led to higher quality products and services, and these are leading to more investment. This has spelled profits for the firm since inception.

Safaricom, a mobile telecommunication firm in Nairobi, Kenya, identified technological innovation such as the digital economy (M-PESA), social media, mobile devices, and big data as its market orientation. It also came up with innovative solutions to serious social issues. Safaricom has 21.6. Million customers with total revenue of U.S Dollars 96.4 billion. The firm distributes its products and services through a dealership network of 3,000 outlets, with 24,000 employees directly and indirectly employed within the channel.

M-PESA

M-PESA is a fast, safe, convenient and affordable way to send and receive money via a mobile phone. As Safaricom innovation, the firm trend set it as its product in 2007. This transformed the lives of millions of people in Africa and globally. It offers money transfer services to individuals and business, pay bill services, bulk payments, dividend payments, and international money transfers. M-PESA has 19.3 million registered customers serviced by 81,025 agent outlets. Other services are voice, data, and converged business services. The firm has come up with innovative solutions to social issues that have earned it more revenues and more trust.

1.3.2youth Appeal

Sport Assets

Engaging with customers means getting involved in events and activities that they enjoy. This is why Safaricom was second only to the Kenyan government in supporting sports. This was through rugby sevens series of which Safaricom was the title sponsor for the entire Safaricom seven circuits. .Safaricom Athletics series has seen Safaricom sponsor various marathons and road races as stand-alone events over the years. Safaricom Stadium at Kasarani was competitive bid for by Safariom and won the branding and earning rights to the stadium And Kasarani indoor gymnasium. These were subsequently renamed Safaricom stadium, Kasarani an Safaricom indoor arena.

This investment allowed Safaricom to collaborate with Kenyan government to refurbish the stadium, dubbed the ``Home of Heroes'', to its former glory, and gave Kenyan sports champions a platform to showcase their athletic ability.

The branding of the stadium set the benchmark in raising the profile of Safaricom as it seeks to venture in international money transfer services.. The profile of Kenya as an International renewed sports destination was also raised.

1.3.3 Google Free Zones

This was a 60- day Google campaign launched in March 2013 to give Safaricom mobile users' free access to Google+, Gmail, and Google search. The service saw 100, 00 customers convert to users over the two months period.

THE SAFARICOM APPSTAR COMPETITION

We launched the Safaricom Appstar Challenge in partnership with Vodafone, a challenge that is designed to enable developers across the Vodafone emerging markets showcase their talents in software and application development at both a local and international platform. For the developers, this will provide visibility to their applications in the participating countries including South Africa, Kenya, India and Tanzania through the Appstore. This helps spark developers into building better solutions through mobile application development. Kenya has won Season 1 and Season 2 of the Appstar challenge.

Robert Collymore, CEO Safaricom (on the right) presents a cheque to two Appstar Competition Winners as two Safaricom employees (left) congratulate

1.3.4 A Helping Hand from the Government

The U.S government made a major contribution to the creation of Silicon Valley. In the early years, it provided funding – both directly and through contracts for spin-offs from Stanford University That fostered close ties between industry and local research institutions. Flexible labour and immigration laws together with robust intellectual property rules also helped to bring in the big brains between 1995 and 2005. Immigrations were responsible for founding more than half the firms in the region. And under chapter 11 it`s relatively easy bankrupts to get back on their feet, creating a culture in which it is acceptable to fail.

In Kenya, the Kenyan government since 2007 through Central Bank of Kenya (CBK) has been very facilitative in establishment of mobile based financial services in Kenya.

This has enabled Safaricom in particular to benefit from this supportive policy and regulatory environment that allows integration between mobile phone service providers and commercial banks to leverage on mobile phone innovation. Safaricom initial public offering (IPO) on March 28, 2008 was marketed as a beacon of hope for retail investors. The idea of the IPO was projected as a process of allowing Kenyans to invest in a privatisation process of selling government shares.

The UK government has replicated this approach in developing London Silicon Roundabout, with entrepreneurs' visas, R&D tax credits and significant tax breaks for investors. It also set up an agency to promote the area and launched a scheme where 50 firms a year get support to help them expand. In 2008 there were 15 tech Silicon Roundabout, today, there are more than 1,300.

1.4 Strategic Issues Are Future Oriented

Strategic decisions are base on managers forecast, rather than on what they know. In such decisions, emphasis is placed on the development of projections that will enable the firm to select the most promising strategic options. In the competitive and turbulent free enterprise, a firm will succeed only if it takes a proactive (anticipatory) stance towards change. Microsoft's Bill Gates, who gained fame as a future –oriented strategic decision maker, often succeeds at the expense of short-sighted competitors as described in Exhibit 1.1, Strategy in Action.

Exhibit 1.1

1.4.1 Strategy in Action

Strategic Blunder: Seattle Computer Products' Sales of the DOS Operating System

In 1980, Tim Paterson, a 24- year old programmer at Seattle Computer Products, spent four months writing the 86.DOS operating system. Meanwhile, Bill Gates was on hunt operating software that Microsoft could license to IBM; Big blue had the money an factories to build computers, but not the operating system to run them. Gates bought the DOS system for a pittance: $ 50,000. When Seattle Computer figured out what it had let slip through its fingers, it accused of swindling te company by not revealing that IBM was its customer. Microsoft settled by compensating Settle Computers an additional $ 1 million in 1986.

The market for the rest of Microsoft`s cool software had been born, and there was no looking back. Arguably, this key deal ultimately propelled Microsoft to software domination-and its current $253 billion valuation. , size of blunder: $ 253 billion.

1.5 Strategic Issues Usually Have Multifunctional Consequences

Strategic decisions have complex implications for most areas of the firm. Decisions about such matters as customer mix, competitive emphasis, or organizational structure necessarily involve a number of the firm`s strategic business unit (SBUs), divisions or program units. All of these areas will be affected by allocations or reallocations of responsibilities and resources that result from these decisions.

1.6 Strategic Issues Require Considering the Firm`s External Environment

All business firms exist in an open system. They affect and are affected by external conditions that are largely beyond their control. Therefore, to successfully position a firm in competitive situations, its strategic managers must look beyond its operations. They must consider what relevant others (e.g., competitors, customers, suppliers, creditors, government, and labour) are likely to do. See exhibits 1.2.

Exhibit 1.2

1.6.1 Top Strategist

Hewlett- Packard`s CEO Mark Hurd Leads a Strategic Turnaround

Mark Hurd took over as CEO of Hewlett-PCKARD (H-P) in March 2005, when the company was floundering from predecessor Carly Fiorina`s 2001 Compaq merger, a deal that fell substantially short meeting its projected returns and resulted in a chaotic organizational structure. H-P was also struggling to grow market share in the Dell- and IMB-dominated personal computer (PC) and corporate server markets. Between 2001 and 2005, H-P`s stock price and profit growth were flat.

H-P`s turnaround began with retrenchment efforts, including reducing the workforce by 10 percent, freezing pension benefits, and raising executive accountability in budget management and sale issues.

Hurd restructured the company into three main divisions: PCs, laptops, and handle devices, printers and printing; and large –enterprise information technology (IT) services.

H-P`s centralized sales and marketing force was then broken into corresponding divisions, removing redundant administrative layers and giving division heads control over their respective sales forces and budgets. In addition, significant investment was put into sales training and customer service.

In the 2005 annual report, Hurd wrote that the highly matrixed had contributed an excess nine layers of management between the CEO and the customer and that utilizing a centralized sale team had given division heads control of 30 percent of their budgets. Hurd therefore decentralized the H-P structure, reducing the management layers between CEO and customer to six, and increased division head budget control to 70 percent. Fewer layer sales enabled H-P to form deals more quickly and win more bids because less time was tied in administrative issues.

Decentralization allowed for individual cost structures to netter line up with H-P`s competitive business, which utilized H-P`s scales in pricing, operating expenses, and costs of goods sold Employing scales simplified the cost system, provided greater flexibility, and more accountability.

Since turnaround efforts began in 2005, H-P demonstrated solid sales growth across all three divisions. By the end of 2007, gross profits rose by 25 percent and revenue rose by 20 percent to $104 billion. In market of the personal computer Global market, H-P claimed the top position by 2007 with 17.6 percent to Dell`s 13.9 percent. By 2008, H-P climbed to second place behind IBM in corporate server market share, with 28.3 percent to IBM`s 31.9 percent.

Exhibit 1.3

1.6.2 Strategy in Action

Strategic Blunder: The Merger of AOL and Time Warner

On February 11, 2000, internet portal America Online, then valued at $108 billion, for $164 billion in an all-stock deal. AOL owned 55 percent of the new combined company; Time Warner, 45 percent. The wreck of 2001, followed by the rise of stiff competitors Google and Yahoo!, changed the competitive dynamics.

As cultures clashed and the stock price tanked, the company in 2002 reported a one- time Write-off of $ 99 billion- at the time, the largest corporate loss ever reported. At its nadir, the firm boasted a meagre market cap of $48 billion- $171 billion less than at the time of merger. Time Warner was worth only $ 53 billion in 2008. Size of blunder: $ 196 billion.

Gaining and sustaining competitive advantage is the defining question of strategy. Accordingly, strategy research is motivated by attempting to answer fundamental questions like, ``Why do some firm start-ups succeed, while other fail?'' or ``what determines overall firm performance?'' and `` what can one as a manager do about it?'' The unifying element of strategy research is a focus on explaining and predicting firm's performance differentials. Thus, strategy researchers seek answers to practically relevant questions like ``why is Safaricom M-PESA, mobile money service provider dominating other mobile phone money market providers: Airtel Money Orange Money YuMobile money and banks in Kenya, who helped create the firm? "' or ``Why is Google, the world`s leading search engine outperforming other search webs?''

Strategy researchers believe that the answers to these fundamental questions lie in the differences in firm strategy. A dictum of strategy, therefore, is that overall firm performance is explained by a firm`s strategy. A firm`s strategy is defined as the manger`s plan about how to gain and sustain competitive advantage (Drucker, 1994).

For a strategic vision to function as a valuable managerial tool, it must (1) provide understanding of what management wants its business to look like and (2) provide managers with a reference point in making strategic decisions and preparing the company for future. It must say something definitive about how the company`s leaders intend to position the company beyond where it is today. A good vision always needs to be a bit beyond a company`s reach, but progress towards the vision is what unifies the efforts of company employees.

2.1 Situation Analysis

This activity (SWOT or environmental Scanning) emphasizes the importance of anticipating changes in the firm`s internal and external environments.

Scanning is necessary to monitor broad trends, including changes that take place in the firm`s customer, competitive, technological, political, and internal environment to asses strategic issues, and to develop strategies (Sltegraaf and Dickson, 2004).

While primary and secondary data sources and models help to inform situation analysis, to a large degree situation assessment is dependent on the accumulated information, experiences, and judgement of decision makers. Slater and Narver (1993) found that a market orientation (i.e., a systematic approach to the acquisition and dissemination of customer and competitor information that shape strategic action was associated with superior performance for Prospectors and Analyzers while Matsuno and Mentzer (2000) found that it was beneficial it was beneficial regardless of strategic orientation. Mckee, Vadarajan, and Vaaw (1990) found that comprehensive planners outperformed firms that engaged in limited situation analysis.

2.2 Comprehensiveness and Alternative Evaluation

Comprehensiveness of alternative evaluation is concerned with the generation and evaluation of strategic alternatives. Comprehensiveness alternative generation should decrease the probability of missing opportunities, while comprehensiveness evaluation may uncover viable contingency plans.

However, comprehensiveness carries a price in terms the time and cost of strategy making. Fredrickson and Mitchell (1984) found a negative relationship between comprehensiveness and performance in turbulent environment, while Fredrickson (1986) found a positive relationship between comprehensiveness and firm performance in a stable environment. This suggests that firms that must adapt rapidly may find the cost of comprehensiveness to be too high.

2.3 Setting Objectives

The managerial process of setting objectives is to convert the strategic vision into specific performance targets-results and outcomes the company management wants to achieve. Objectives represent a managerial component to achieving particular results and outcomes. Well stated objectives are quantitative, or measure, and contain a deadline for achievement. As Bill Hewlett, co-founder of Hewlett-Packard, shrewdly observed, ``Concrete, measurable objectives are managerially valuable because they serve as yardstick for tracking a company`s performance and progress. A company that constantly meets or beats it performance targets is generally a better overall performer than a company that frequently falls short of achieving its objectives.

2.4 Kinds of Objectives to Set and need for a Balanced Scorecard

Two very distinct types of performance yardsticks are require: those relating to financial performance and those relating to strategic performance. The best and leading indicators of a company`s future financial performance and business prospects are strategic actions that indicate whether the company`s competitiveness and market position are stronger or weaker. For instance, if a company has set aggressive strategic objectives and is achieving them-such that its competitive strength and market position are on the rise, then there is a reason to expect that its future financial performance will be better than its current or past performance.

Consequently, a balanced scorecard for measuring company performance –one that tracks the achievement of both financial objectives and strategic objectives- is optimal. Just tracking a company`s financial performance overlooks the fact that what ultimately enables a company to deliver better financial results from its operations is the achievement of strategic objectives that improve its competitiveness and market strengths.

Indeed, the surest path to boosting company profitability is to relentlessly pursue strategic outcomes that strengthen the company's market position and produce a growing competitive advantage over rivals.

2.5 Need for Both Short Term and Long Term Objectives

As a rule, a company`s set of financial and strategic objectives ought to include both near-term and long-term performance targets. Having quarterly and annual objectives focuses attention on delivering immediate performance improvements. Targets to be achieved within three to five years prompt considerations of what to do now to put the company in position to perform better latter.

The definition of the objective should include not only an end point but also a time frame for reaching it. A strategy to get U.S. troops out of Iraq or U.N. Commissioned Kenya defence force troops from Somali at some distant point in the future would be very different from a strategy to bring them home within one year.

Since most firms compete in a more or less unbound landscape, it is also crucial to define the scope, or domain, of the business: the part of the landscape in which the firm will operate.

What are the boundaries beyond which it will not venture? What geographic area will you serve- Africa, U.U., Asia, or Europe?

Alone, these two aspects of strategy are insufficient. You could go into business tomorrow with the goal of becoming the world`s largest mobile money market service provider within 5 years. But will any? A firm`s competitive advantage is the essence of its strategy; What the firm`s business will do differently from or better than others defines the all-important means by which the firm will achieve its stated objective. The advantage Hs complementary external and internal components: a value proposition that explains why the targeted customer should buy a firm`s product or service above all the alternatives, and description of how internal activities must be aligned so that only the firm can deliver that value proposition.

2.6 Who Participate in Crafting A Firms' Strategy?

A firm`s senior executives obviously have important strategy making roles. The Chief Executive Officer (CEO) wears the mantle of chief direction setter, chief objective setter, and chief strategy implementer for the total enterprise. In some enterprises the CEO functions as strategic visionary and Chief Architect of strategy, personally deciding what the key elements of the company`s strategy will be although others may well assist with data gathering and analysis, and the CEO may seek the advice of other senior managers and keep employees in fashioning an overall strategy and deciding on important strategic moves.

In most companies, however, strategy is the product of more than just the CEO`s handiwork. Typically, other senior executives –business unit heads, the chief financial officer, and heads of production, marketing, human resources, and other functional departments- have influential roles and help fashion the chief strategy components. But even here it is a mistake to view strategy making as a top management function. The more that a company`s operations cut across different products, industries, and geographic areas, the more that headquarters executives have little option but to delegate considerable strategy-making authority to down-the line managers in charge of particular subsidiaries.

2.7 The strategy making roles of Corporate Entrepreneurs

In some companies, top management makes a regular practice of encouraging individuals and teams to develop and champion proposals for new product line, and new business ventures. The idea is to unleash the talents and energies of promising corporate entrepreneurs, letting them try out untested business ideas and giving them the room to pursue new strategic initiatives.

2.8 Strategy- A Company's Making Hierarchy

It thus follows that a company`s overall strategy is a collection of strategic initiatives and actions devised by managers and key employees up and down the whole organizational hierarchy. The larger and more diverse the operations of the enterprise, the more points of strategic initiative it has and the more managers and employees of more levels of management that have a relevant strategy role.

In diversified firms where the strategies of several different business have to be managed, the strategy-making task involves four distinct types or levels of strategy, each of which involves different forecasts of the firm`s overall strategy.

2.8.1 Corporate strategy consists of the kinds of initiatives the company uses to establish business, positions in different industries, the approaches corporate executives pursue to boost the combined performance of the strategy of business the firm has diversified into, and the means of capturing cross-business synergies and turning them into competitive advantage. Senior corporate executives normally have lead responsibility for devising corporate strategy and for choosing from among whatever recommended actions from key business units. Key business unit heads may also be influenced, especially in strategic decisions affecting the business they head. Major strategic decisions are usually reviewed and approved by the company`s board of directors.

2.8.2 Business strategy concerns the actions and the approaches crafted to produce successful performance in one specific lone of business. The key focus is crafting responses to changing market circumstances and initiating actions to strengthen market position, build competitive advantage, and develop strong competitive capabilities. This is the responsibility of the manager in charge of the business.

2.8.3 Functional area strategies concern actions, approaches, and practices to be employed in managing particular functions or business processes or key activates within a business.

A firm`s marketing strategy for example, represents the management game plan for running the sales and marketing part of the business. A company`s product development strategy represents the managerial game plan for keeping the company`s product line-up fresh and in tune with what buyers are looking for.

For overall business strategy to have a maximum impact, a business marketing strategy, production strategy, finance strategy, customer service strategy, product development strategy, and human resources strategy should be compatible and mutually reinforcing rather than each serving its own narrower purposes.

2.8.4 Operating strategies concern the relatively narrow strategic initiatives and approaches for managing key operating units, distribution centres, geographic units, and specific operating activities with strategic significance. Even though operating strategy is at the bottom of the strategy making hierarchy, its importance should not be downplayed. A major plant that fails in its strategy to achieve production volume, unit cost, and quality targets can undercut the achievement of company sales and profit objectives and wreak havoc with strategic efforts to build a quality image with customers. Frontline managers are thus an important part of an organization`s strategy making team because many operating units have strategy critical performance targets and need to have a strategic action plans in place to achieve them.

2.8.5 Single Business Enterprises

In single business enterprises, the corporate and business levels of strategy making merge into one level- business strategy because the strategy for the whole company involves only one distinct lines of business. Thus, a single business enterprise has three levels of strategy; business strategy for the company as a whole, functional area strategies for each main area within the business, and operating strategies undertaken by lower echelon managers to flesh out strategically significant aspects for the firm`s business an d functional area strategies. Proprietorships, partnerships, and owner-managed enterprises may have only one or two strategy making levels since their strategy making; strategy executing process can be handled by just a few people.

2.8.6.6 Uniting the Strategy Making Effort

I dearly, the pieces of a firm`s strategy up and down the strategy hierarchy should be cohesive and mutually reinforcing. To achieve such unity, the strategic process requires leadership from the top. It is the responsibility of top executives to provide strategy making direction and clearly articulate key strategic themes that define clearly tasks for lower level strategy making efforts.

Mid-level and frontline managers cannot craft unified strategic moves without first understanding the company`s long term direction and knowing the major components of the overall and business strategies and their strategy making efforts they are supposed to support and enhance. Thus, as a general rule, strategy making must start at the top of the organization, and then processed downward through the hierarchy from the corporate level to the business, and then from the business level to the associated functional and operating levels. Strategy cohesion requires that business level strategies complement and be compatible with the overall corporate strategy. Likewise, functional and operating strategies have to complement and support the overall business level strategy of which they are apart.

2.8.7 Executing the Strategy

Converting strategic plans into actions and results test a manager`s ability to direct organization change, motivate people, build and strengthen company competencies and competitive capabilities, create and nurture a strategy supportive work climate, and meet or beat performance targets. Initiatives to put the strategy in place and execute it perfectly have to be launched and managed on any organizational fronts

Management`s action agenda for implementing and executing the chosen strategy emerges from assessing what the firm will have to do differently or better, given its particular operating practices and organizational circumstances, to execute the strategy competently and achieve the targeted organizational financial and strategic performance.

Lehner (2004) take implementation tactics as genuine organizational behaviour based on the assumption that implantation in general is dependent on the environment, and various strategic and organizational variables.

Akan, Allen, Hedms and Spralls (2006) discuss four generic strategies (differentiation strategy, cost leadership strategy, focus strategy, focus differentiation strategy and their respective key practices. Dooley, Fryxell and juge`s(2000) findings show that decision consensus appears to result in subsequently higher levels of commitment to the strategic decision among the members of the decision making team. Moreover, this commitment, once engendered by consensus, is positively related to successful decision implementation.

Some authors take shared understanding as a commitment. MacMillan & Guth(1985) and McDermott & Buyer (1999) all think that the shared understanding of middle management and those at the operational level to the top management team`s strategic goals is of critical importance to effective implementation (Raport &Velliquette & Garreston, 2002).Strategy implementation efforts may fail if the strategy does not enjoy support and commitment by the majority of employees and middle management. This may be the case if they were not consulted during the development phase (Heracleous, 2000).

Higgins(2005) sets up an ``8`s'' framework of strategy implementation including strategy and purposes, structure, resources, shared values, style, staff, systems and processes, and strategic performance. This is an approach that enables senior management to enact, monitor, and asses the cross functional execution of strategies. Brenes, Mean, and Molina (2007) point out five key dimensions of successful implementation of business strategy. These five dimensions are the strategy formulation process, strategic execution, implementation and control and follow-up, CEO`s leadership, motivated management and employees, and corporate governance (board and shareholders) kneading the change.

+2.8.8 Evaluating Performance

This is the point for deciding whether to continue or change firm`s vision, objectives, strategy, or strategy execution methods. Whenever a company encounters disruptive changes in its environment, questions need to be raised about the appropriateness of its direction and strategy. If a firm experiences a downturn in its market position or persistent shortfalls in performance, the firm`s managers are obligated to analyze its causes-whether they relate to poor strategy, poor strategy execution, or both and take timely corrective action. It is to be expected that a firm will modify its strategic vision, direction, objectives, and strategy over time.

Hewlett-Packard Co.

Company Profile

Hewlett-Packard Company is a provider of products, technologies, software, solutions & services to individual consumers, small- and medium-sized businesses and large enterprises, including customers in the government, health and education sectors.

Computer makers lead layoffs list so far in 2014

July 31, 2014, 9:51 AM EDT

Microsoft, H-P face challenges in a world that lives by mobile devices rather than PCs.

The computer industry has announced more job cuts so far in 2014 than any other sector, according to data from an outplacement firm, which reported layoffs in that pocket of the economy have swelled above 48,000.

The 48,361 job cuts that computer firms have announced through July of this year is 85% higher than the retail industry, which ranked second, according to a report by Challenger, Gray & Christmas. The weakness was led by Microsoft's MSFT plan to slash 18,000 jobs over the next year and Hewlett-Packard's HPQ decision earlier this year to cut as much as 16,000 more jobs after previously unveiling a plan to lay off 34,000.

Both Microsoft and H-P face challenges in a world that lives by mobile devices rather than the PCs where those companies have traditionally dominated. Consumers and businesses are shifting more computing chores to the Web, tablets and smart phones — areas where Microsoft and H-P have struggled to gain meaningful traction.
"Both companies were slow to react to the shift from PCs to mobile and simply do not want to get caught flat-footed again," said John A. Challenger, CEO of Challenger, Gray & Christmas. He added the companies had to "flatten the bureaucracy and foster a more entrepreneurial approach to decision making."

For July, job cuts reached the second highest level of the year, climbing 49% from June's total — mostly due to Microsoft's announcement. Microsoft's job cuts is the largest the company has ever announced, and is also the largest layoffs planned by any company in the U.S. this year, the outplacement firm reported.

Despite the weakness in the computer industry, the economy overall continues to add more jobs than it sheds. Private-sector payrolls in the U.S. reportedly climbed by 218,000 in July, the fourth-straight month of 200,000-plus job gains. Meanwhile, the unemployment rate has steadily ticked lower since the 2008-2009 financial crises.

2.8.9 Whether Strategic Orientation Moderate Strategy Formation Capability Performance Relationship

A strategic orientation reflects the set of broad strategic choices implanted in pursuit of sustainable superior performance, and is a predisposition for creating the proper employee, manager, and overall firm activities for achieving superior performance (Gatignon and Xuereb, 1997). A customer orientation sufficient understanding of a firm`s target buyers so that the firm can continuously create superior value for them (Narver and Slater, 1990). The purpose of a competitor orientation is to provide a solid basis of intelligence pertaining to present and potential competitors for executive actions. Competitors are defined as firms offering products or services that are close substitutes in the sense that they serve the same customer needs (Klter P., 2009).

The Miles and Snow (1978) and Porter(1980) typologies have emerged as the two dominant frameworks of strategic orientation, Miles and Snow identified four approaches of how firms define and approach their product-market domains(the entrepreneurial problem) and construct structures and processes (the administrative and technical problems) to achieve success in those domains. Prospectors continuously seek to locate and exploit new product and market opportunities while Defenders to seal off a portion of the total market to create a set of products and customers. Analyzers occupy an intermediate position between the two extremes by combining the strengths of both the Prospector and Defender to cautiously follow Prospectors into new product market domains while protecting a stable set of products and customers. A fourth type, the Reactor, does not have a consistent response to the entrepreneurial problem. Consistent with previous studies, this research paper find that Reactors account for a small proportion of the business in this study (7.1%) and this paper does not consider them in either hypothesis development or analysis.

Porter (1980) proposed that the entrepreneurial problem should be viewed as a product of how the firm created value (i.e., differentiation or low cost) and how it defines its scope of market coverage (i.e., focused or market-wide). Walker and Ruckert (1987) synthesized these typologies of entrepreneurial behaviour by discriminating between low cost Defenders and Differentiated Defenders. This study makes use of the distinction and considers how variations on strategy formation processes influence performance within the four perspective strategic orientation (i.e., Prospectors, Analyzers, Differentiated Defenders, and low cost Defenders).

Strategic orientation defines the broad outline for the firm`s strategy while leaving the details of strategy content and strategy implementation to be completed. The importance of this detail to strategic success is a major reason why there is performance variation within the strategic orientation (e.g., Coaant, Mokwaj, and Varadarajan, 1990; Slater and Olson, 2001).Superior performance depends on the quality of the `fit' among the organization`s strategic orientation, and its physical, human, and organizational resources (Miles and Snow, 1978;1984). Thus, as Miles and Snow suggest, firms with different strategic orientations will benefit from different approaches to strategy formation.

3.1 Research Design

While this study focused on business strategy formation process at the Strategic Business Unit (SBU) level it is notable that the typology has been applied to corporate strategy (e.g., Miles and Cameron, 1982; Miles and Snow, 1984).The research spread across a range of technological and service industries in U.S.A, Kenya, Japan, and Britain.

4.1 Empirical Results

The research found that strategic orientation does moderate the strategy formation capability-performance relationship and innovation enhances a distinctive competence. While prospector performance benefited from a clearly articulated mission/objective, analyzer performance was harmed by it. Analyzers were the only strategy type whose performance was enhanced by situation analysis. Prospectors and Analyzers both benefited from comprehensive alternative evaluation, and none of the strategy types were harmed by a formal strategy formation process, while Low cost and Differentiated Defenders' performance benefited from it. Also, the strength of the relationship between [predictor variables and performance varies by strategic type.

References

Akan, O., Allen R. S., et al. (2006). ``Critical Tactics for Implementing Porter`s Generic Strategies''. The Journal of Business Strategy, 27, 43-53.

Allio, M. K. (2005).`` A short , Practical Guide to Implementing Strategic Decisions;''. Journal of Business Strategy, 26, 12-21.

Ansoff HI. (1991). Critique of Henry Mintzberg`s ``The design school: reconsidering the basic Premises of strategic management '', Strategic Management Journal 12(6): 449-461.

Barney J. (1991). Firm resources and sustained competitive advantage. Journal Of Management17 (1):1999-12.0

Brenes, E. R, Mena, M.(2007).``Key success factors for strategy implementation in Latin America'. Journal of Business research, 1-9.

Barringar B. Et al. (1999).``The relationship between Corporate Entrepreneurship and Strategic Management. Journal no 20 pp. 424- 444.

Central Bank of Kenya (2013). New Mobile Platform launched, No 5, Issue 1 PP. 3.

Cisco Internet Business Solutions Group (2011).The Internet of Things: How the Next Evolution of the Internet is changing Everything.

Chimhanzi, J. and Morgan , R.E.(2005).``Explanations from the marketing /human resources dyad for marketing strategy implementation effectiveness in service firms''. Journal of Business Research, 58, 787-796.

Chakravarthy B Doz Y (1992). Strategy process research: focusing on corporate self-renewal.

Strategic Management Journal, Summer Special Issue 13: 5-14...Collins J Pores J. (1994).Built To Last. Harper Business. New York

Conat J Mokwa M, Varandarajan PR (1990).Strategic types, distinctive marketing Competencies, and organization performance: a multiple measures – based study, Strategic Management Journal 11(5): 365-383.

DeGusta M., (2012). Are Smart Phones Spreading Faster than Any Technology in Human History ? MIT Technology Review, http://www.tecnologyreview.com/news/427787/ Are – smart -phones-spreading-faster-than-any-technology-in –human-history/

Drucker P.(1970). Entrepreneurship in business enterprise. Journal of Business Policy: 1(1): 3-12.

Fisher A., (2013). ``Inside Google`s Quest To Popularize Self-Driving Cars: popular science, http://www.popsci.com/cars/article/2013-09/google-self-driving-car

Facebook Reports Third Quarters (2013). Results, http://investor-fb com/releasedetail.cfm?ReleaseID= 802760

Fredrickson J. (1986) the comprehensiveness of strategic decision processes: extensions,

Extensions, observations, and future directions. Academy of Management Journal 27(3): 445-466.

Fort J., Hurd M. Et al. (2008). ``A Fast Turnaround at Hewlett Packard: Quick, Easy wins, orLong Term promise? Fortune, 157, no 12 pp 35.

Glassman K. J., (2013).``Immigration : Don't Be Stingy; Forbes(30 April), http://wwwforbes.com/sitesjameglassman/2013/04/30/immigration-dont-be-stingy;`Less miserable's'',

Giles C. Et al. (2013). ``Carny's economic glass is half full, Financial Times, http://www.ft.com/cms/s/j/a948944a4c80-IIe3-958f-00144feabdcf.htmlxxaxzz2154GnA12

Harvard Business Review (2008). Can you say what your strategy is? Reprint R0804E PP. 1-3

Hart S., Banbury C. (1994). How strategy-making processes can make a difference. Strategic Management Journal 15(4): 251-270.

Heracleous, L. (2000). ``The role of Strategy Implantation in Organization Development' Organization Development Journal, 18, 75-86

Higgins, J.M (2005). `` The Eight `S's of successful Strategy Execution''. Journal of Change Management, 5, 3-13.

Kang'aru W., (2014. Safaricom, Airtel splash out Sh. 8bn

Kamau M., (2014). Why India's Essar flagship brands failed to crack Kenyan Market, Standard on Sunday Business PP. 39

Kell J., (2014).Microsoft,, HP face challenges in a world that lives by mobile devices rather than PCshttp://for.tn/12Yub3Q,Fortune.

Kotler, P. (2000). Marketing Management, Prentice Hall Englewood Cliffs, NJ.

Khosla V., (2013). ``How to Win at leapfrog'', McKinsey Insight and publications, http://www-mckinsey.com/insight/asia-pacific/how-to-win-at-leapfrog

Lehner, J. (2004). ``Strategy Implantation Tactics as response to Organizational, Strategic, and Environmental Imperatives'. Management Review, 15, 460-480.

Moocroft S (2013).The future of organizations by 2020; shaping tomorrow, http://www.shapingtomorrow.com/home/alert/152705-The-future-of-organizations-by-2020.

MIT (2010). ``Innovation Isn`t ``Creativity '', It`s a Discipline You Manage, Sloan Management Reviews, http://sloanreview.mit.edu/article/is-innovation-buldwin-article/

Melanie L. (2008). ``The 10 Biggest Blunders Ever in Business. 'Forbes, http://www.msnbc.msn.com/id/23677510/.

Matsuno K., Mentzer J., (2000) The effects of strategy type on the marker orientation-performance relationship. Journal of Marketing 64(4): 1-6

Mckee D, Varadarajan PR, Vassar J. (1990) A taxonomy of marketing planning styles, Journal Of the Academy of Marketing Science 18(2): 131-141.

Menon A, Bharadwaj S., Howell R.(1996). The quality and effectiveness of marketing Strategy: effects of functional and dysfunctional conflict in intraorganiztional Relationships. Journal of the Academy of Marketing Science 24 (4): 299-313.

Miles R. In collaboration with Cameron K. (1982) Coffin Nails and Corporate Strategies. Prentice-Hall: Englewood Cliffs, NJ

Mile R Snow C. (1978). Organizational Strategy, structure, and processes, McGraw Hill: New York.

Miles R. Snow C., (1984).Fit, failure, and the hall of fame, California Management Review 26(3): 10-28.

Mintzberg H., (1973).Strategy making in three modes. California Management Review 16(2): 44-53.

Mintzberg H., (1990). The design school: reconsidering the basic premises of strategic Management. Strategic Management Journal 1193); 171-196.

Mintzberg ., H., Waters J., (1985). Of Strategies deliberate and emergent , Strategic Management Journal 6(3): 257-27.

Olson E., Slater S., et al., (2005). The performance of fit among business strategy, marketing Organizational structure and strategic behaviour. Journal of Marketing 69(3): 49-65.

Pfitzer M. (2013). ``Innovating for shared value, Harvard Business Review, http://hbr.org/2013/09/innovating-for-shared-value/ar/

Prahalad K. C. And Hamel G.). ``The core competence of the Corporation.'' Harvard Business Review 70 no 3, pp. 79-93.

Porter, M.E (1980). Competitive Strategy: Techniques for Analyzing Industries and Competitors, The Free Press , New York, NY.

Porter M. E(1996).``What is strategy?''Harvard Business Review, Reprint RO8804E PP 2.

Porter M.E. (1980). Competitive strategy. Free Press: New York.

Segev E., (1987).Strategy, strategy making, and performance in a business game. Strategic Management Journal 8(6): 565-577.

Shaw G, Brow R. & Bromileey P. (1998). ``Strategic Stories: How 3M Is Rewriting Business Planning'.'' Harvard Business Review 76 no 3 pp. 41-50.

Shortel S., Zjac E., (1990). Perceptual and archival measures of Miles and Snow`s strategy types; a comprehensive assessment of reliability and validity. Academy of Management Journal 33(4): 817-832.

Rojas E., (2013). `Automakers Invest In Car Sharing Industry; The Motley Fool, http://beta.fool.com/er529/2013/04/03/investing-in-the-sharing-economy28960

Slater S., Narver J., (1993). Product-market strategy and performance: an analysis of the Miles and Snow strategy types. European Journal of Marketing 27(10): 33-51.

Slater S., Olson E., (2000). Strategy types and performance: the influence of sale force Management. Strategic Management Journal 21(8): 813-829.

Slater S., Olson E., (2001). Marketing's contribution to the implementation of business strategy: an empirical analysis. Strategic Management Journal 22(11): 1055-1068.

Slevin D., Covin J., (1997). Strategy formation patterns. Journal of Management 23(2): 189-202.

Slotegraaf R., Dickson P., (2004). The paradox of a marketing planning capability. Journal of Academy of Marketing Science 32(4): 371-385.

The Economist (2013).http://www.economist.com/node/21559618;``Future Fifty'',http://www.futurefifty.com/; JayMcgregor, `Is the Success of London's ``silicon roundabout forcing new start-ups out of the capital?

The Independent (2013).http://www.indepndent.co uk/life-style/gadgets-and-tech/features/i-the-success-of-londons-silicon-roundabout-forcing-new-startups-out-of the capital-8599699.html

The Washington Post Wonkblog (2013). ``Is U.S. manufacturing a come back-or is it justhype?'', http://www.washingtonpost.com/blogs/wonkblog/wp/2013/05/01-ismanufacturing-set-for-a-comeback-or-is-all-all hype/

Teece D., Pisano G., Shuen A., (1997)Dynamic capabilities and strategic management. Strategic Management Journal 18(7): 509-534.

Tom P. (2006). ``System Reboot-Hurd`s Big Challenge at HP: Overhauling Corporate Sales.'' The Wall Street Journal, PA1.

U.S. Census Bureau (2012).Table 690, ``Statistical Abstract of the United States.

U.N, (2013). ``A New Global Partnership: Eradicate Poverty and Trans-form Economies Through Sustainable Development.

Veliyath R., Shortell S., (1993). Strategic orientation, strategic planning system Characteristics and performance. Journal of Management Studies 30(3): 359-381.

Were E., (2012). Investors' four-year wait for IPO refund, Daily Nation, PP8.

Walker O., Ruekert R., (1997). Marketing`s role in the implementation of business strategies: a critical review and conceptual framework. Journal of Marketing 51(3): 15-33.

Zajac E.,Kraatz M. Et al., (2000) Modelling the dynamics of strategic fit : a normative approach to strategic change. Strategic Management Journal 21(4): 429-453.