



Strategic Management

Global Cultural Perspectives for
Profit and Non-Profit Organizations

Marios I. Katsioloudes

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This work is dedicated to the memory of my beloved parents, Ioannis and Vasiliki, and to my hometown of Famagusta, Cyprus, whose citizens have inspired and challenged me throughout my life.

Foreword

Hundreds, if not thousands, of books have been published on the subject of strategic planning and the strategic planning process (SPP). Some of these books are highly theoretical in nature, while others are “how-to” primers. Some of these books take a quantitative approach to the subject, while others take a general, conceptual approach. Still other books, present rigid, structured, grid-like format.

Among these thousands of books published on strategic planning, *Global Strategic Planning; Cultural Perspectives for Profit and Nonprofit Organizations* uniquely achieves a delicate balance between the theoretical and the practical, the quantitative, and the conceptual approaches. The author of this well-organized and highly readable book presents all of the classical elements of strategic planning, including the most important aspect of strategic plan implementation.

More, I believe what truly distinguishes and differentiates this book from many of its strategic planning counterparts is the inclusion of (as well as the emphasis on) the intangible (i.e., or the “soft”) aspects of strategic planning, including the all-important concepts of **globalization, leadership, and culture**. If an organization’s board (as well as its senior and middle management) fail to focus on and achieve a deep understanding of these subjects and their importance, I believe that the SPP (and, even more importantly, the implementation of the plan itself), will ultimately fail.

Before I comment further on globalization, leadership, and culture, allow me to present some of my own views on strategic planning. Never before has it been more important for organizations (either for-profit or nonprofit) to engage actively and seriously in the SPP. It is trite (*yes, still* true) change is more rapid than ever. A strategic plan can and should be a template (i.e., a frame of reference) for an organization. In a fast-changing world, opportunities are more numerous than before, challenges arise without notice, and instant global communications accelerate the decision-making process. Thus, “in the heat of battle when emotions and enthusiasms are high,” such opportunities and challenges must be overlayed against the ever-present

template of the organization's strategic plan, to ascertain if there is a "good fit," or if there is any incongruity.

The SPP and the implementation of the strategic plan forces each function, each division, and each and every component of the organization "to think." Thinking is very hard work that can, unfortunately, always be put off to tomorrow. Organizations must not allow this to occur. The SPP puts all the pieces of the organization through a structured process, facilitated by a common language that permits the examination (and the reexamination) of all facets of the organizations. The process serves to challenge assumptions, common beliefs, and "givens," as well as all those unwritten "sacred cows."

Further, the SPP is an excellent communications vehicle. If managed sensitively but strongly, the SPP can serve to improve both communication and understanding between all parts of the organization. Through a skilfully-managed, well-executed SPP, "silos" become obvious to all and tend to crumble.

Now on to what I believe are the truly distinguishing aspects of this book: **globalization, leadership, and culture.** First, let me highlight this book's emphasis on globalization. It is all too easy (if not glib) to say "we are global," "we are going global," or "we run our businesses globally." That of the matter is that very, very few organizations truly are global and run their businesses globally. Many companies may have a significant amount of business outside their "home country," but that alone does not make them global. To be truly global and to truly run an organization globally (i.e., to think, act, plan, execute, and allocate resources within a global context) is not only extremely difficult, but is also one of the biggest challenges facing organizations today.

Some questions about globalization that must be considered include all of the following: Does the board and the senior management truly think and act within the context of a "borderless world?" Does the composition of the board include a significant number of members of different nationalities? Do the board members have a good awareness and understanding of the most important attitudes of the cultures of the major geographical regions citizens of the countries within those regions? Is the majority of the research and development (R&D) done in the "home country?" At the organization's headquarters, are there a significant number of second country nationals? Does the allocation of capital reflect a global view and understanding? The answers to these and many other questions will present a very clear answer as to whether or not an organization is truly run globally.

In addition to discussing globalization, this book also talks about leadership, clearly highlighting its importance in the SPP, as well as in the implementation of the strategic plan. The author is eminently correct in emphasizing the role of leadership within an organization. If anything,

leadership (or, perhaps, the lack of it), is the decisive factor in the degree of success or failure of the process, its implementation, and indeed of the business itself.

Leaders are *sine qua non* for any successful enterprise. Leaders do not fit a mold or stereotype; the fact of the matter is, you will “know them when you see them.” Leaders come in all shapes and sizes—tall/short, thin/fat, young/old, great orators/not-so-great public speakers, etc. But, the truly great organizations will also have great, well-admired leaders. Among their array of attributes, great leaders will have a vision. That vision will be communicated clearly and continuously, throughout the organization, and, as a result, the leader will achieve enthusiastic “buy in” from all of the organization’s constituencies.

Jack Welsh, Harold Geneen, Floris Maljers, Winston Churchill, Harry Truman, Charles de Gaulle, Conrad Adenauer, Alfred P. Sloan, Henry Ford, Tom Watson, etc, are all great leaders. Yet, each one is very different from all of the others. Were any of these leaders specifically trained to be a leader? One of a board’s most important (if not crucial) responsibilities is to find the leaders of the future; to create and preserve a culture in which leaders are attracted, thrive, and rise the top. An old saying applies, “cream rises to the top.” Management’s responsibility is to recognize it, preserve it, and promote it.

In addition to the aspects of globalization and leadership, this book further focuses on culture. Culture is a “soft” (or, intangible) element. To my knowledge, this book is one of the few on strategic planning that gives significant attention and focus to culture within the context of strategic planning as a whole. An awareness and understanding of the various cultures extant within an organization is crucial to the successful implementation of the strategic plan.

But, having said that, what exactly is culture? The author of this book defines very clearly culture; then, he goes on to describe its elements and attributes as applied to strategic planning. Describing the culture of a company (particularly a globally-oriented organization), is extremely difficult. There are numerous cultures that exist within an organization (e.g., the cultures of the parent company, its regional subsidiaries, those within acquisitions and joint ventures, and also those of each of the countries in which the firm operates). Thus, in a global enterprise there are organizational cultures, as well as both country- and regional-specific cultures.

A truly global organization (with a board and management composed of significant and broad-based diversity) is not merely aware of, but also understands and deals with the cultural issues day-in and day-out, as an integral part of managing the ongoing business. There are very few organizations that “get it right.” However, those that do, have a tremendous competitive advantage.

Organizations may not have world class abilities and performance in each and every one of the functions and in each segment of their business; yet, they can be world leaders in their industry. How? It results from a leader with a vision who communicates that vision clearly to each and every part of the global organization and the management is representative of the various nationalities and cultures encompassed within the business. “Winning” (i.e., increased profits year after year) develops both pride and a “can-do” attitude throughout the organization. As a result, success is perpetuated, and a company culture grows and thrives.

In sum, this book presents a clear, comprehensive, very readable exposition of the SPP, as well as of the implementation of the strategic plan. The inclusion of **globalization, leadership, and culture** as integral components of the process is what sets this book apart from many others. The author emphasizes that the culmination of the strategic planning exercise must be a living, breathing, vibrant, useful, and relevant document—the strategic plan itself. The document should be used and referred to on an ongoing basis, rather than just presented to the board once every five years for approval and stashed away in a file cabinet to gather dust. If the latter occurs, then management (and the board) has failed in its leadership role, and, in fact, the entire exercise may prove to be counterproductive to the organization as a whole.

I hope that you will take this opportunity to explore the SPP within the context of **globalization, leadership, and culture** as presented in this book. You will not be disappointed!

James A. Kennedy
Formerly Chairman and Chief Executive Officer
National Starch & Chemical Company

Acknowledgments

This second edition, under its new title *Strategic Management: Global Cultural Perspectives for Profit and Nonprofit Organizations*, would have been impossible to research, update, and bring to its present form if it weren't for the contributions of a number of individuals. First, I would like to express my sincere gratitude to Maggie Smith, Senior Editor of the Elsevier Group, for her guidance, patience, understanding, and encouragement throughout this process. Furthermore, Maggie is to be credited with the new title of this text. I would also like to thank Dennis McGonagle of the Elsevier Group for his overall assistance and direction during this revision.

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Last but not least, I would like to thank all my students who have studied strategy under my instruction throughout my academic career. Their objectivity and criticism have been an inspiration and encouragement to continue to teach, research, and write on this topic. Thank you all.

Introduction

Stated simply, the strategic planning process (SPP) helps organizations identify what they intend to achieve and how they will go about achieving it. The magnitude of this challenge is greater today than ever before, and one is reminded of the ancient curse: “May you live in interesting times!” Firms face continuous pressures to become more competitive on many critical fronts.

For one, the global economy represents a competitive arena, which appears to increase both in size and complexity each day. Also, our own domestic economy is one, which is increasingly characterized by rapid change. During the past few years, such terms as restructuring, downsizing, and rightsizing have become commonplace. Another critical front organizations face—whether they are for-profit or nonprofit—is that of culture. Culture can be the national culture of the country in which the organization operates in; culture can also be the organization’s own culture. Organizational culture can either facilitate or hinder the SPP, as well as the implementation of the strategic plan.

All of this would seem to render strategic planning (at least, in some people’s minds) rather unnecessary, since changes come much too quickly. Of course, I would argue that these situations make planning even more important, albeit more difficult, to virtually all organizations. In the final analysis, a key to organizational success revolves around the ability of an organization to offer products to customers, which they perceive as having greater value. This increases competitiveness and often enables the firm to earn above-average profits.

Of course, not *all* the answers are in this book. Because the focus is consistently on the SPP, though, I am hopeful that you (the educator, the student, the executive, the planner) will be better able to develop a framework within which you can identify and deal with as many situations as possible.

The uniqueness of this book is evidenced by the fact that, in addition to the more types of traditional types of information on the SPP for the for-profit sector, there is also a plethora of information regarding the process for the nonprofit sector. Most importantly, what distinguishes this book from

other books on the market today, is the impact of culture (both national and organizational) from a global perspective and of organizational leadership on the SPP, whether in the for-profit or the nonprofit sector.

My hope is that the pedagogical features presented are helpful to you. As you will see, the approach is relatively simple throughout. An introductory paragraph is presented and the text of the chapter then follows, with several discussion questions at the end, to help you recall the important points. Within each chapter, I have tried to be straight-forward in my presentation, presenting examples, which are often drawn from current business publications. In addition, an Instructor's Manual with a test bank is available to those educators intending to adopt the book for instruction. Instructors can also use cases for analysis and discussion from the publisher's website.

The chapter material in this textbook is divided into five parts, with a total of 12 chapters. Below is a brief summary of what I have covered in each part. All chapters have a segment on the impact of culture on the SPP.

Part One: An Overview of the Strategic Planning Process (SPP) includes two chapters. In Chapter 1, I present the SPP, including the importance of vision, mission, the board of directors, objectives, strategies, the various stakeholders, and the strategic levels all within the SPP model. In Chapter 2, I present information on social responsibility, business ethics, benchmarking, global strategies, the nonprofit sector, small business and entrepreneurship, and technology.

Part Two: Strategy Formulation includes four chapters. In Chapter 3, I address the external environment of the organization, introducing concepts such as opportunities and threats, environmental scanning, industry analysis, Porter's five forces model, strategic groups, forecasting techniques, the general environment, industry financial averages, and the External Factor Evaluation and Competitive Profile matrices. In Chapter 4, I discuss the internal environment of the organization as it pertains to the strengths and weaknesses, value chain, functional areas, organizational structure, organizational culture, financial ratio analysis, and financial ratio analysis. In Chapter 5, I introduce corporate-wide strategic options available to the organization, such as portfolio analysis, growth strategies, diversification strategies, joint ventures, mergers, acquisitions, and niche strategies. In Chapter 6, I offer strategic choices at the business and functional levels of the organization. The concepts addressed here are business level strategies, competitive advantage, Porter's generic strategies, Strategic Business Units (SBUs), market life cycle, Total Quality Management (TQM), reengineering, and risk propensity.

Part Three: Implementation, Evaluation, and Control in the Strategic Planning Process (SPP) consists of two chapters. In Chapter 7, I address the implementation aspect of the SPP and discuss such topics as organizational culture and structure, leadership, budgets, programs, policies, and potential

implementation barriers that organizations might encounter. In Chapter 8, I deal with the evaluation and control aspect and address such topics as performance measures, types of control, a strategy evaluation framework, and common performance measurement problems.

Part Four: The Strategic Planning Process (SPP) for the Nonprofit Sector also consists of two chapters. In Chapter 9, I discuss the overall importance of the SPP to nonprofits. In that context, I differentiate between profit and nonprofit organizations in terms of the SPP, discuss reasons for nonprofit organizations engaging in strategic planning, and the importance of such roles as volunteers and boards of directors. In Chapter 10, I extend my coverage to the unique role that marketing plays in the nonprofit sector. I address the ways that nonprofit organizations attempt to market themselves, various appropriate marketing strategies and how they differ between profit and nonprofit organizations, and the strategic execution of fund-raising.

Part Five: The Strategic Planning Process (SPP) in the Global Environment consists of two chapters in which the nature of global competition and its implications to the SPP is presented. In Chapter 11, I provide a framework for global strategic planning. In Chapter 12, I address the strategic and cultural implications of doing business in newly emerging market (NEM) economies. In that context, the importance of globalization is discussed, as are some examples of how domestic companies face increasing global competition. The regionalization of international markets is also discussed. Finally, the importance of culture and cultural values is presented within the context of global strategic planning. In addition, contribution of the global strategic planner to a successful strategic planning process is discussed within the framework of the multicultural environment.

This book's approach to the strategic planning process is unique in that it goes beyond the traditional application for the for-profit sector by addressing issues for the nonprofit sector and global aspects of strategic planning. Most importantly, this book measures the impact of cultural, organizational, national, and global issues, whether in the for-profit or the nonprofit sector, and provides examples, exercises, and solutions to make this key part of international management and strategic planning easier and more successful.

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*An Overview
of the Strategic
Planning Process*

