

# Chapter 1

## The Historical Development of the Strategic Management Discipline

### ABSTRACT

*The purpose of this chapter is to explain the origins of strategic management. It highlights the different perspectives of strategy that have emerged from economics research. It gives a brief history of economics within strategic management. It addresses particularly the meaning of “strategy” and “strategic management.” It describes a general overview of the evolving nature of the strategy discipline. Strategic management is a concept that has evolved over time and will continue to evolve. As a field of study, strategy or strategic management is relatively recent. Its theoretical foundations come mainly from economics (economic theory, international economics) and industrial organization studies. Developments in industrial organization theory stress the importance of strategic behavior by firms.*

### INTRODUCTION

As a field of study, strategy or strategic management is relatively recent. Its theoretical foundations come mainly from economics (economic theory, international economics) and industrial organization studies. Developments in industrial organization theory stress the importance of strategic behavior by firms. During the 1960s, organization researchers tried to understand organizational differences in functioning and performance. Three books are considered as “classic strategy books”: Chandler’s *Strategy and Structure* (1962), Ansoff’s *Corporate Strategy* (1965) and Learned,

Christensen, Andrews and Guth’ *Business Policy: Text and Cases* (1969). When the 1960s gave rise to basic concepts of strategy, the 1970s provided important knowledge about their development and application.

Strategic management is a continuum of successive stages such as: critical analysis and diagnosis (internal and external levels), policy formulation (process of developing a strategy), implementation (process of executing a strategy) and then evaluation. In a world that is becoming ever more subject to change, the ability of major organizations to adapt rapidly and efficiently is a key component of corporate strategy. Strategic

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management has evolved to the point that its primary value is to help the organization to operate successfully in dynamic, complex environment and to deal with the increasingly uncertain future.

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## **STRATEGY AND STRATEGIC MANAGEMENT**

### **Introducing the Purpose of Strategy and Strategic Management**

There is a variety of meanings and interpretations of strategy and strategic management depending on the author and sources. The term strategy is used to refer to different ideas. The concept of strategy has been developed first in a military and political context. The military strategy books such as 'The Art of War' by Sun Tzu and 'On War' by von Clausewitz are famous and have become business classics. Sun Tzu developed the tactical side of military strategy and Von Clausewitz highlighted the dynamic and unpredictable nature of military strategy. If strategy can be seen in decisions and actions used within a military context, it must not be confused with the notion of 'tactics'. Great battles are often analyzed by historians in terms of strategy (referring to a general plan and to the deployment of resources) and tactics (related to the employment of resources already deployed).

As Bracker (1980) mentioned it, "since its first mention in the Old testament, the concept of *strategy* has been largely a semantic issue. (...) Our word strategy comes from the Greek *strategos*, "a

general" which in turn comes from roots meaning "army" and "lead". The Greek verb *stratego* means to "plan the destruction of one's enemies through effective use of resources". (...). The first modern writers to relate the concept of strategy to business were Von Neumann and Morgenstern (1947) with their theory of games." (p. 219).

At a general level, strategy refers to actions that have been taken and decisions that are to be made by an organization in achieving its objectives. Scholars have formulated various definitions of strategy. Some definitions of strategy as offered by various writers spanning the years 1954 to 1991 are briefly reviewed in the following table (Table 1). There is a variety in terms (and issues) used in relation to strategy: organization, mission, objective, purpose, goal, decision, competitive advantage and environment. Other terms could be introduced such as 'vision' and 'value'. The success of a strategy depends also on the corporate managers' vision. Vision relates to goals and refers to the expected evolution of the organization: what direction are we going and what do we want to achieve? Every organization has resources and competences to create value and to achieve a sustainable competitive advantage (see chapter 2).

Some scholars and practitioners use several terms and concepts interchangeably. It is the case of such alternatives as strategic management/strategy/policy formulation; strategic management/strategic planning/ long-range planning; structure/organization; organization structure/management process; firm/enterprise/company/organization. In this book, we'll adopt these alternatives if necessary.

### **The Scope of Corporate Management Strategy**

As strategic management refers to the entire scope of strategic-decision making activity in an organization closely linked with its external environment, a firm has to take into consideration three levels of analysis (Table 2):

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