Multi-Dimensional Measure of Strategy Development Process: Research between Entrepreneurs and Managers in Brazil

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This research will study the process of strategy development, and will use the instrument developed and tested by Bailey, Johnson e Daniels (2000). These authors propose a model of six dimensions: command, planning, incremental, political, cultural and enforced choice. The sample will be composed of entrepreneurs and managers of several industries and profiles. Besides the role of the individual (entrepreneur, manager or other), we will try to identify other variables that may be important to strategy that are attached to characteristics of the individuals (eg. age, education) and of the organizations (eg. Size and industry).

The dissertation will be composed of three basic parts. The first part will discuss the multi-dimension approaches to strategy, their similarities and differences. The second part will discuss the main contributions to understand the work and the mindset of entrepreneurs and managers, and how can they be integrated or not. The third part will present a field research between entrepreneurs and managers about how they perceive the multiple dimensions of strategy on their development process.

Keywords: strategy making, strategy development, multi-dimensionality, entrepreneurs, managers, models and typologies

PART 1: STRATEGY AND MULTI-DIMENSIONALITY

Vasconcelos (2001) describes shortly the path and the context of strategy studies and remember that strategy is much younger than traditional areas as economy, sociology and anthropology; and just constitutes itself as an academic discipline after the second half of the XX century. Two factors contributed for this: (1) the influence of neoclassical economy, which considers the market as a self-regulated systems and implies on the transitorily (and irrelevance) of the firms' strategy; and (2) low professionalism of the management of the big firms until the second half of the XX century.

The author emphasizes the importance of the Organization Theory, which put the basis of what would be the field of strategy, and makes a brief literature review. He notes the great internal diversity of the field, which continues to be

open to theories from other fields of knowledge, such as military history, theoretical physics, evolutionary biology, cognitive science, artificial intelligence and educational psychology.

In this context, several meta-theoretical approaches emerge. Typologies and reflexive works are important to understand what let to the "real" strategy of the firms. Besides the typology of the prescriptive strategies, an interest for how strategies are developed and implemented grew, as well as the multi-dimension approaches to organizations and strategy. Two books that popularized this kind of approach beyond the frontiers of the academy are Morgan's Images of Organization and Mintzberg, Ahlstrand and Lampel's Strategy Safari.

We will review the literature and try to identify the patterns of evaluation and tendencies, and focus on typologies and meta-theorization, such as Doz and Prahalad (1991), Hart (1992), Whittington (1993), Hart and Banbury (1994), Bettis and Prahalad (1995), Dess, Lumpkin and Covin (1997), Mintzberg, Ahlstrand and Lampel (1998), Calori (1998), Vasconcelos and Cyrino (2000), Vasconcelos (2001), Bailey and Johnson (2001), and Parnell (2003). To present the discussion, we will focus on Hart (1992), Mintzberg, Ahlstrand and Lampel (1998), Vasconcelos (2001) and Bailey and Johnson (2001).

Hart (1992) categorized previous research of strategy-making process typologies, and then proposed a new framework and showed the expected relationship between the strategy-making modes and the levels of top management; as summarized on the 3 tables below:

Table 1: Categorizing the Strategy-Making Process Typologies (Hart, 1992)				
Themes from literature				
Citation	**Rationality**		**Vision**	**Involvement**
	Comprehensive	**Bounded**		
Allison (1971)	Rational	Organizational, Bureaucratic		
Nutt (1981, 1984)	Normative, Bureaucratic	Behavioral, Group, Adaptative		
Mintzberg (1973, 1978)	Entrepreneurial, Planning	Adaptative		
Chaffee (1985)	Linear	Adaptative	Interpretative	
Mintzberg (1987a)	Plan, Play, Position	Pattern	Perspective	
Bourgeois & Brodwin (1984)	Commander, Change	Collaborative	Cultural	Crescive
Nonaka (1988)	Deductive			Inductive, Compressive
Ansoff (1987)	Systematic	Ad Hoc, Reactive		Organic
Grandon (1984)	Optimizing	Satisficing, Incremental	Cybernetic	Random
Shrivastava & Grant (1985)	Managerial autocracy, Systematic Bureaucracy	Adaptive Planning		Political Expediency
Mintzberg & Waters (1985)	Entrepreneurial, Planned	Process, Consensus	Ideological, Umbrella	Unconnected, Imposed

Table 2: An Integrative Framework for Strategy-Making Process (Hart, 1992)					
Descriptions	Command	Symbolic	Rational	Transactive	Generative
Style	Imperial: strategy driven by leader or small team	Cultural: strategy driven by mission and a vision of the future	Analytical: strategy driven by formal structure and planning systems	Procedural: strategy driven by internal process and mutual adjustment	Organic: strategy driven by organizational actors' initiative
Role of top management	Commander: provide direction	Coach: motivate and inspire	Boss: evaluate and control	Facilitator: empower and enable	Sponsor: endorse and support
Role of organizational members	Soldier: obey orders	Player: respond to change	Subordinate: follow the system	Participation: learn and improve	Entrepreneur: experiment and take risks

Table 3: Strategy-Making Mode and the Organizational "levers" of Top Management (Hart, 1992)					
Levers	Command	Symbolic	Rational	Transactive	Generative
Mission	*	*			
Vision	*	*			
Goals	*	*	**		
Strategy	*	**	*	**	
Structure	*	**	*	*	
Systems	*		*	*	**
Process	*		**	*	*
People	*			**	*

Hart and Banbury (1994) developed an instrument based on this model, and the results of the data collected with 285 top managers indicate that "firms with high process capability – the simultaneous use of multiple strategy-making process model – outperform single-mode or less process-capable organizations."

Mintzberg, Ahlstrand e Lampel (1998) reviewed more than 2000 items of references and classified 40 years of study on 10 schools:

Table 4: The 10 Schools of Thought of Strategy (Mintzberg, Ahlstrand and Lampel, 1998.)		
School of Thought	Strategy formation as	Key References
1) Design	a process of conception	Selznick (1957), Andrews (1965)
2) Planning	a formal process	Ansoff (1965)
3) Positioning	an analytical process	Schenden e Hatten (1970), Porter (1980) and Porter (1985)
4) Entrepreneurial	a visionary process	Schumpeter (1950), Cole (1959)
5) Cognitive	a mental process	Simon (1947), Simon (1957), March and Simon (1958)
6) Learning	an emergent process	Lindblom (1959), Cyert e March (1963), Weick (1969), Quinn (1980), Prahalad and Hamel
7) Power	a process of negotiation	Allison (1971) – micro, Pfeffer e Salancik (1948), Astley (1984) – macro
8) Cultural	a collective process	Rhenman e Norman, end of the 60s, Sweden
9) Environmental	a reactive process	Hannan and Freeman (1977), Contingency (Pughet al, final dos 60s)
10) Configuration	a process of transformation	Chandler (1962), Mintzberg, Miller, Miles e Snow

Vasconcelos (2001) make a research with a sample of 195 managers, using 29 questions based on Strategy Safari's schools. With Factor analysis, the author aggregates the first Safari's three schools (design, planning and positioning) in the intent dimension, the three following (entrepreneurial, cognitive and learning) in the innovation, and last three (power, cultural and environmental) in the social context dimension.

Bailey e Avery (1998) proposed method to measure 6 strategy dimensions based on Johnson and Scholes (1997), which included a questionnaire with 36 questions and was used by Barros (2001). Bailey, Johnson e Daniels (2000) made a broader research, with 5332 managers of 770 organizations, with a questionnaire of 39 questions of the same dimensions, which validated the model and the instrument. The dimensions are very close to Hart's model, but the inclusion of enforced choice is an important difference. The table below summarizes the dimensions and its characteristics:

Table 5: Characteristics of six dimensions of strategic development (Bailey, Johnson and Daniels, 2000)		
Dimension	Description	Key References
Command	A particular individual is seen to have a high degree of control over the strategy followed; for example the chief executive or similar figure with institutionalizes authority. Less commonly, such influence may be exercised in difference ways, for example through personality, the rigid enactment of rules or through expertise. Alternatively, strategic aspirations and strategy may emerge from a vision associated with the powerful individual(s), which represents the desired future state of the organization.	Bennis and Nanus (1985), Shrivastava and Nachman (1989), Westley and Mintzberg (1989). Kotter (1990), Farkas and Wetlaufer (1996), Hayward and Hambrick (1997)
Planning	An intentional process involving a logical, sequential, analytic and deliberate set of procedures. The organization and its environment are systematically analyzed. Strategic options are generated and systematically evaluated. Based on this assessment, the option is chosen that is judged to maximize the value of outcomes in relation to organizational goals. The selected option is subsequently detailed in the form of precise implementation plans, and systems for monitoring and controlling the strategy determined. There is an assumption that strategy is developed by top executives and implemented by those below.	Ansoff (1965), Minztberg (1978), Steiner (1969), Argenti (1980), Rowe, Dickel, Mason and Snyder (1994)
Incremental	Strategic choice takes place through 'successive limited comparisons'. Strategic goals and objectives of the organization are not likely to be precise but general in nature. The uncertainty of the environment is accepted and as such managers area not able to know how it will change: rather they attempt to be sensitive to it through constant scanning and evaluation. Commitment to a strategic option may be tentative and subject of review in the early stages of development.	Lindblom (1959), Mintzberg et al (1976), Quinn (1980), Quinn (1982), Johnson (1988)

Table 5: Characteristics of six dimensions of strategic development (cont) (Bailey, Johnson and Daniels, 2000)		
Cultural	Strategy is influenced by taken-for-granted frames of reference shared amongst organizational members. These frames of reference help to simplify the complexity of situations, provide a ready-made interpretation of new situations, enable decisions to be made in a way which makes contextual sense and provide a guide to appropriate behavior. Their usefulness increases as situations become more ambiguous and the efficiency of formal decision-making process deceases. These frames of reference are underpinned by routines, rituals, stories and other symbolic artifacts which represent and reinforce the organizational culture. These cultural artifacts embed frames of reference in organizational activities and provide a repertoire for action; but are in turn likely to be resistant to change.	Weick (1979), Deal and Kennedy (1982), Schon (1983), Gioia nad Poole (1984), Trice and Beyer (1985), Johnson (1987), Spender (1989)
Enforced Choice	Factors in the environment encourage the adoption of organizational structures and activities which best fit that environment. These external constrains may take the form of regulative coercion, competitive or economic pressures or normative pressures as t what constitutes legitimate organizational action. These pressures limit the role organizational members play in the choice of strategy. So the strategies an organization can follow tend to be common to organizatio9ns within their industrial sector or organizational field; with changes coming about through variations in organizations' process and systems which may occur unintentionally or through imperfect imitation of successful structures, systems or process	Aldrich (1979), DiMaggio and Powell (1983), Hannan and Freeman (1989), Deephouse (1996)

We think that it is possible that the 6 dimensions designed by Bailey and Johnson also can be reduced on the same 3 dimensions of Vasconcelos (2001), and that is one of the main hypotheses to be tested:
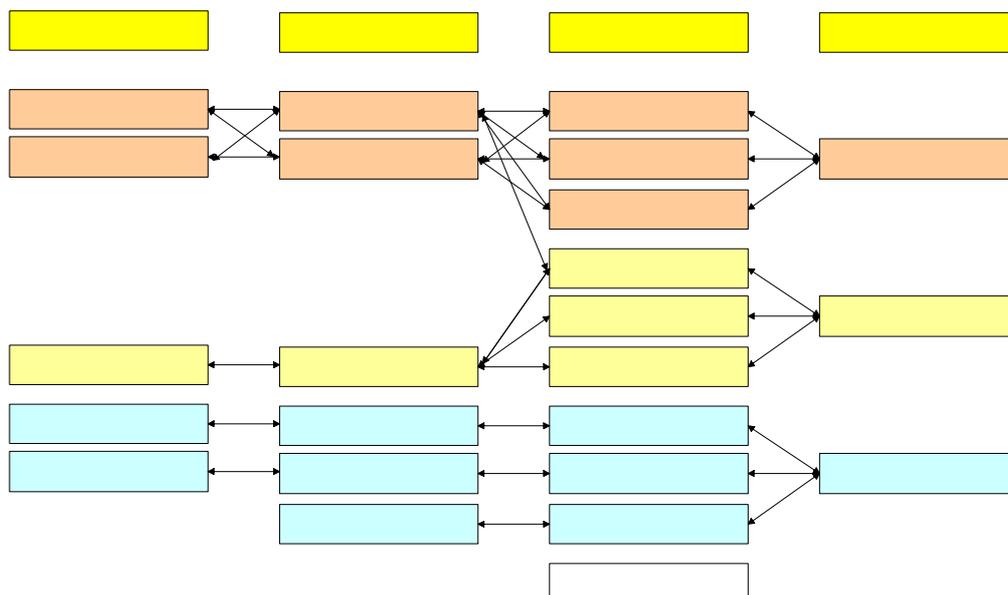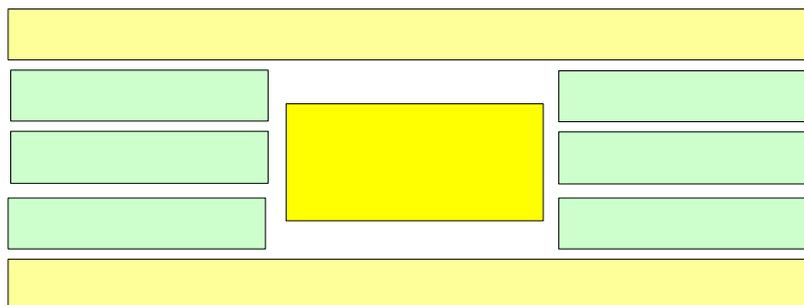
PART 2: ENTREPRENEURS AND MANAGERS

Entrepreneurs and Managers are often described as different (sometimes opposite) profiles of decision-makers. As firms are conducted by these different actors, we will review theoretical and empirical literature, specially comparative studies. The discussion of the main contributions will help to understand the work and the mindset of entrepreneurs and managers, and how can they be integrated or not.

Preliminary literature selected to be reviewed include: Litzinger (1965), Mintzberg (1971), Kurke and Aldrich (1983), Pavett and Lau (1983), Smith and Gannon (1987), Bellu (1988), Lee-Gosselin and Grisé (1990), Czarniawska-Joerges and Wolff (1991), Cunningham and Lischeron (1991), Taylor and Banks (1992), Brodsky (1993), de Franja (1996), Busenitz and Barney (1997), Utsch, Rauch, Rothfufs and Frese (1999), Ardichvili (2001), and Pines, Sadeh, Dvir and Yafe-Yanai (2002).

PART 3: FIELD RESEARCH

We will use the 6-dimensions model of Bailey e Avery (1998) and Bailey, Johnson e Daniels (2000), and a questionnaire with 24 questions (4 of each dimension) about strategy and complementary questions about the firm and the individuals

The sample will be composed of different sources of managers and entrepreneurs. We will try to mix upper management (from Young Presidents Organization / Brazil, for example), and middle management (MBA students from BSP and FGV, for example). We will try to mix experienced entrepreneurs, rising entrepreneurs (Endeavor entrepreneurs, for example), family-business entrepreneurs (Family Business Network, for example) and small business (Endeavor Conferences' and Clube do Empreendedor's participants, for example).

We already have 70 answered questionnaires, and our goal is to reach 200. After reaching 120, we will start to make some in-deep interviews, probably 1 or 2 of each profile described before. We will also try to have a significant sample of investors to compare this group with the others, but we are not sure that it will be possible, once the Venture Capital industry in Brazil is very small and angel investor are nor easy to reach. We may also try to reach professionals that support entrepreneurship and business, such as NPOs (Chambers of Commerce, Endeavor) and government (Sebrae, Business Incubators).

The Questions and Hypothesis

A) INDIVIDUAL INFORMATION

Education:

❑ - Until uncompleted undergraduate studies

❑ - Complete undergraduate studies (specify): _____

❑ - Graduate studies (specify): _____

Hypothesis A1: *Planning dimension will be greater in more educated individuals. The other dimensions will not have any kind of difference. Type of undergraduate and graduate studies may have some kind of influence to be identified.*

Critical view: *We are not sure that it will be possible to aggregate the courses specified by the individuals in a way that will be possible to analyze the results. This way can be by field (management and economics, medicine and other health sciences, etc), by region or by reputation, we will try by field.*

Age:

❑ - Less than 25 years   ❑ - From 36 to 45 years

❑ - From 26 to 30 years   ❑ - From 46 to 55 years

❑ - From 31 to 35 years   ❑ - More than 56 years

Hypothesis A2: *Planning dimension will be greater in individuals in the middle categories. (?) Not sure about the hypothesis.*

Critical view: *The ranges of age may not be adequate. It's easier to get responses in the range format, but there is a lost of information that may be important.*

Position at the organization:

❑ - CEO   ❑ - Professional Investor (VC)

❑ - Vice-President or Director   ❑ - Investor (Angel)

❑ - Partner (Owner)   ❑ - Other (specify)_____

Hypothesis A3: *Planning dimension will be greater between VCs; and Incremental dimension will be greater between Partners (entrepreneurs). There may be differences of perception between upper and middle management.*

Critical view: *The classification may not be the best possible, but the main objective here is to discriminate entrepreneurs, managers and investors.*

B) ORGANIZATIONAL INFORMATION

Industry (specify): _____

❑ - Primary Sector   ❑ - Non-financial Services (client: consumer)

❑ - Industrial (client: industrial)   ❑ - Non-financial Services (client: firms)

❑ - Industrial (client: commerce)   ❑ - Financial Services

❑ - Commerce (client: firms)   ❑ - Business Incubator

❑ - Commerce (client: consumer)   ❑ - University or Research Institute

❑ - NPO of support   ❑ - Government or Firm owned by the State

Hypothesis B1: *Firms that make B2B are different from B2C; Services, industrial and primary sector also are different. But we don't know how and how much.*

Critical view: *It may be difficult to aggregate the industries specified by the respondents, what may disturb proper analysis.*

Annual Revenues:

❑ - Less than R$ 1 million   ❑ - From R$ 10 millions to R$ 50 millions

❑ - From R$ 1 million to R$ 3 millions   ❑ - From R$ 50 millions to R$ 200 millions

❑ - From R$ 3 millions to R$ 10 millions   ❑ - More than R$ 200 millions

Employees:

❑ - Less than 20   ❑ - 101 to 500

❑ - 21 to 50   ❑ - 501 to 2000

❑ - 51 to 100   ❑ - More than 2001

Age of the Organization:

❑ - Less than 2 years   ❑ - 11 to 20 years

❑ - 3 to 5 years   ❑ - 21 to 40 years

❑ - 6 to 10 years   ❑ - More than 41 years

Hypothesis B2: *Life cycle theories. The Bigger and older, more planning is necessary, and more political and cultural the firm became.*

Critical view: *The ranges of revenue, employees and age of the company may not be adequate. It's easier to get responses in the range format, but there is a lost of information that may be important. These ranges have different meaning for different services and industries.*

Other information (put x for "yes"):

❑ - One of the partners has the control

❑ - The CEO is one of the founders?

❑ - O group of founders is on the control?

❑ - Is it familiar?

Hypothesis B3-B6: *We are not sure about the possible hypothesis.*

Critical view: *are the questions the proper questions?*

❑ - Is it multinational? Country of Origin: _____

If it is a local office, its autonomy for:

- strategic issues - ❑: high ❑: medium ❑: low

- operational issues- ❑: high ❑: medium ❑: low

Hypothesis B7: Multinational firms are different of the local, and have also significant differences between them. According to local autonomy, strategy development may change.

Critical view: Scales proposed are insufficient to capture the complexity of this phenomenon, but it may give some clues to future research.

❑ - Has if external audit?

❑ - Does it have stocks on stock market?

❑ - Are there investors?

❑ - Is it a S/A (sociedade anônima)?

Hypothesis B8: External mechanisms of control make difference on strategy development.

Critical view: questions proposed are insufficient to capture the complexity of this phenomenon, but it may give some clues to future research.

❑ - Does it compete internationally?

❑ - Does it develop proprietary technology?

Hypothesis B9: international competition and technology development increases innovation-related dimensions.

Critical view: questions proposed are insufficient to capture the complexity of this phenomenon, but it may give some clues to future research.

C) QUESTIONS ABOUT ORGANIZATION'S STRATEGY

After the questions about the individual and the organization, we put the selected 24 questions of the 6-dimensions model and finish with an open space for free comments.

Hypothesis C1: the questions reflect the 6 dimension model, and there are 3 main factors that can be identified.

Critical view: the instrument was already tested, but revalidation is always welcome. The factors expected are the same of Vasconcelos (2000)

Planning	Incrementalism	Cultural	Political	Command	Enforced Choice
1 We have definite and precise strategic objectives	2 To keep in line with our business environment, we make continual small-scale changes to strategy	3 Our organization's history directs our search for solutions to strategic issues	4 The information on which our strategy is developed often reflects the interest of certain groups	5 The strategy we follow is directed by a vision associated with the chief executive (or another senior figure)	6 Our freedom of strategic choice is severely restricted by our business environment
7 We have precise procedures for achieving strategic objectives	8 We keep early commitment to a strategy tentative and subject to review	9 There are beliefs and assumptions about the way to do things which are specific to this organization	10 Our strategy is a compromise which accommodates the conflicting interests of powerful groups and individuals	11 Our strategy is closely associated with a particular individual	12 We are not able to influence our business environment; we can only buffer ourselves from it
13 Our strategy is made explicit in the form of precise plans	14 Our strategy emerge gradually as we respond to the need of change	15 The strategy we follow is dictated by our culture	16 The decision to adopt a strategy is influenced by the power of the group sponsoring it	17 The chief executive determines our strategic direction	18 Barriers exist in our business environment which significantly restrict the strategies we can follow
19 We make strategic decisions based on a systematic analysis of our business environment	20 Our strategy develops through a process of ongoing adjustment	21 There is resistance to any strategic change which does not sit well with our culture	22 Our strategies often have to be changed because certain groups block their implementation	23 Our chief executive tends to impose strategic decisions (rather than consulting the top management team)	24 Many of the strategic changes which have taken place forced on us by those outside this organization

FINAL REMARKS

Strategy development is full of possibilities, and this research will explore the Brazilian reality to find empirical evidences that may reinforce or deny current theories.

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