

A critical assessment of Richard Whittington's 'Four Generic Approaches' on strategy

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Strategy, long discussed over many centuries, from the ancient Greek to Sun-Tsu, over Machiavelli and von Clausewitz, there is still no clear universal understanding of what strategy is. This paper will critically assess Richard Whittington's 'Four Generic Approaches' on Strategy. Guideline shall be Whittington's contention that his Systemic Approach may be the most persuasive. In the belief that there is no general, omniscient body of knowledge on strategy each of Whittington's approaches will be looked at. Recognising that certain 'strategy schools' suit different situations and environments better than others it however appears that the Systemic Approach on strategy is indeed the most persuasive. In today's world of global business finding the 'school' that best suits an organisation's goals earns the greatest reward for all. 'Playing by the local rules, meeting cultural and societal needs while still maintaining sufficient profit is, after the crisis, truer than ever.

INTRODUCTION

The concept of strategy has undergone an almost inflationary use in recent years speaking of competition and corporate strategy, but also offensive and defensive strategy of growth, shrinkage and stabilisation strategy of sales, production, environmental and human resources strategy. And even outside of the corporate division the term is used - for example when we talk about gaming or professional strategy. But where does this term come from?

Etymologically, the term comes from the Greek word '*stratēgia*' (*στρατηγία*, lit. transl. 'Generalship') which originally stems from '*stratós*' (*στρατός*, lit. transl. 'Army') and is actually about the art of military leadership. In Germany, the term was first used in the military sector and was there attributed especially to Von Clausewitz¹. He described a strategy as "*the use of battle for the purpose of war.*" The strategy concept found entrance into economics through the economic game theory, where a

¹ Carl Philipp Gottlieb von Clausewitz (01/06/1780-16/11/1831) was a Prussian Major General, army reformer and military theorist. Clausewitz became known for his unfinished masterpiece '*Vom Kriege*' ('On War'), which deals with the theory of war. His theories about strategy, tactics and philosophy had large influence on the development of warfare in all western countries and are taught to this day at military academies.

strategy means "*planning for a particular episode of moves (of actions)*", where every action is thought out as a function of the possible own and others' moves. Based on this, business economics took over the strategy term, being first used at American universities – particularly at Harvard Business School – in courses on "*Business Policy*". The first original research activities, which then also led to the assertion of the term strategy in business economics, only commenced in the 1960s by, to name the most important, Alfred DuPont Chandler², Jr., Harry Igor Ansoff³ and Kenneth Richmond Andrews⁴.

"*What is Strategy – and does it matter?*" Obviously, this is a question that occupies many people. To begin from the start, the background behind all strategies is that companies want to make profits and they do so by growing bigger. This need of growth, however appears to be not the same for all companies resulting in that not all companies have the same idea of what growth is and neither by which strategy to achieve it.

These different types of perception cause the most diverse companies to formulate the most diverse strategies serving their own individual needs. And as Mintzberg already noticed "*The field of strategic management cannot afford to rely on a single definition of strategy*" (Mintzberg, 1987, p. 11) and therefore the formulation of such strategies is carried out in different ways, deliberate or emergent, or deliberately emergent (Mintzberg & Waters, 1985, p. 263) and can be looked at from an outcome-oriented perspective or from a process perspective (Whittington, 2000). In the following a closer look will be taken at Richard Whittington's four generic perspectives on strategy.

RICHARD WHITTINGTON'S STRATEGY MODEL

Richard Whittington, taking a Western viewpoint, has collated several theories about strategy from the past five decades and categorized them into four groups by placing certain approaches into certain decades starting in the early 1960's. He placed the prevailing approaches to strategy, Chandler, Ansoff, Sloan and Porter, into the '*classical*' category. He then created categories for the following decades and called them '*processual*' for the 1970's and related Cyert & March, Mintzberg and Pettigrew in this category continuing with the 1980's where he put Hannan & Freeman and Williamson and called it '*evolutionary*' to finalise with the 1990's, the '*systemic*' category, where he assigned Granovetter and Whitley.

Figure 1 gives an overview of Whittington's four different approaches. Whittington has structured the different approaches with brief definitions of Strategy, Rationale, Focus, and Processes and complemented the approaches with the main area of influences and respectively the authors.

² **Alfred DuPont Chandler, Jr.** (15/09/1918-09/05/2007) was a professor of business history at Harvard Business School and Johns Hopkins University, who wrote extensively about the scale and the management structures of modern corporations. His works redefined business and economic history of industrialization. In 1977, he received the Pulitzer Prize for History for his work "*The Visible Hand: The Managerial Revolution in American Business*".

³ **Harry Igor Ansoff** (12/12/1918-14/07/2002) was a Russian American applied mathematician and business manager. He is known as the 'father' of strategic management.

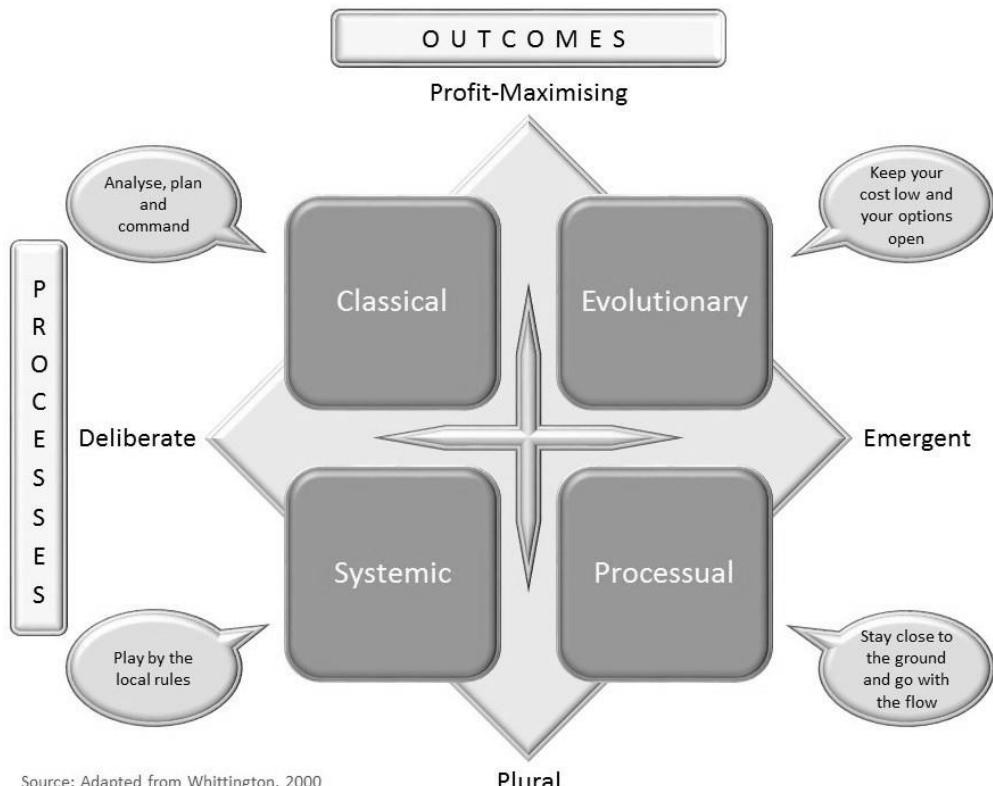
⁴ **Kenneth Richmond Andrews** (1916-04/09/2005) was an American academic who, along with Ansoff and Chandler, was credited with the foundational role in introducing and popularizing the concept of business strategy. He was a member of the Harvard Business School faculty for 40 years.

The Four Perspectives on Strategy				
	Classic	Processual	Evolutionary	Systemic
Strategy	Formal	Crafted	Efficient	Embedded
Rationale	Profit maximization	Vague	Survival	Local
Focus	Internal (plans)	Internal (politics/cognitions)	External (markets)	External (societies)
Processes	Analytical	Bargaining/Learning	Darwinian	Social
Key influences	Economics/military	Psychology	Economics/biology	Sociology
Key authors	Chandler; Ansoff; Porter	Cyert & March; Mintzberg; Pettigrew	Hannan & Freeman; Williamson	Granovetter; Whitley
Emergence	1960s	1970s	1980s	1990s

Source: Whittington, 2000

Figure 1: The Four Perspectives on Strategy

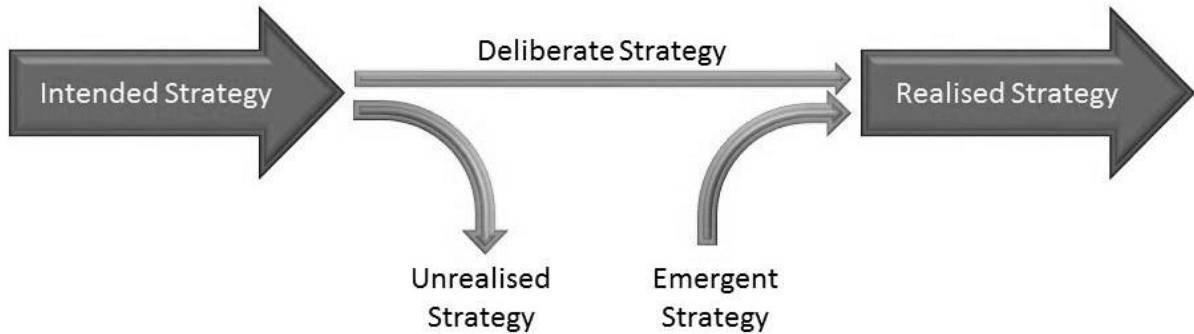
He then continued to distinguish the four approaches by the outcomes of strategy, profit-maximizing or plural, and the processes by which strategy is made, either deliberate or emergent. Figure 2 shows how Whittington placed the outcomes and the processes on two axes to provide a visual illustration of the two essential questions '*What is strategy for*' and '*How is strategy developed*'.



Source: Adapted from Whittington, 2000

Figure 2: Generic Perspectives on Strategy

The classical and evolutionary approaches coincide in so far as they see maximisation of profits as the result of strategy. The pluralistic approaches Processual and Systemic, however, recognise other possible outcomes than only profit. While the evolutionary and processual approaches consider the process of strategy as emergent, the classical and systemic approaches perceive strategy as deliberate.



Source: Adapted from Mintzberg & Waters, 1985

Figure 3: Types of Strategies

According to Mintzberg und Waters (1985, p. 257), illustrated in figure 3, a deliberate strategy is if the implemented strategy is formed exactly as it was intended while an emergent strategy is a strategy that was not at first intended, but due to unforeseen changes in the company or in the environment, it appears advisable for the company to change its intended strategy. To elaborate further we will have a closer look at the particular approaches separately.

The Classical approach

As Whittington (2000, p. 11) explains the '*Classicalists*' achieve their profit-oriented goal of strategy through a long-term planning process using resources most effectively. Most importantly they use features as "*rational analysis, the separation of conception from execution, and the commitment of profit maximization*" (Whittington, 2000, p. 12). Apparently in this approach the top managers are the authority to formulate and control strategy while the operational managers' responsibilities lie in the implementation.

Although not mentioned by Whittington 1954 Peter Drucker was one of the earliest asking the right questions "What is our business?" and "What should it be?" (Drucker, 2007, p. 50). To Drucker the answer to these questions was a company's strategy. After this the concept of strategy remained rather unappreciated until in 1962 Alfred Chandler defined strategy in his work '*Strategy and Structure*': "*Strategy can be defined as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying these goals*" (Chandler, 1962, p. 13).

Alfred Sloan in 1963 very similarly expressed that "*the strategic aim of a business [is] to earn a return on capital, and if in any particular case the return in the long-run is not satisfactory, the deficiency should be corrected or the activity abandoned for a more favourable one*" (Sloan, 2015, p. 71).

In other words, organizations are guided by maximizing their return on investment, Whittington's profit-maximizing assumption, when compiling their strategy with the emphasis to adapt the profit-maximizing strategies through rational planning. And as mentioned before, the person formulating

and controlling the strategy is the CEO of an organisation. Mintzberg (1990, p. 176) clearly states that the “*Responsibility for that control and consciousness must rest with the chief executive officer: that person is THE strategist*”. Mintzberg et al. (1998, pp. 47-79) describe strategy formation as a formal process of analysing, planning and commanding.

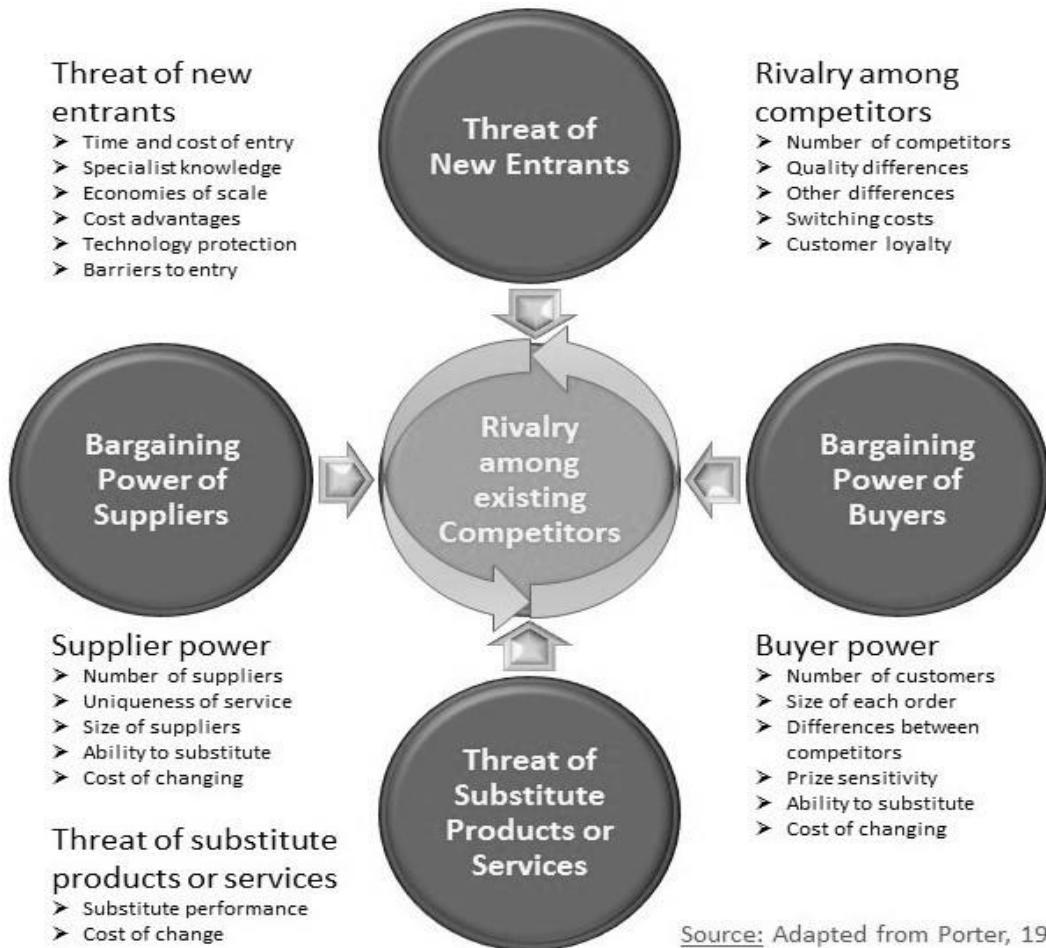


Figure 4: Porter's 5 Forces

The classical approach appears straight top-down and strongly conditioned by Thomas Carlyle's (1841) mid 1800 'Great man' leadership style. It assumes that the business environment is predictable and attempts to design rational and logical approaches and methods like PESTEL analyses to enable the organization to achieve its goals and objectives. Strategy is planned, formulated and controlled by the top management and then communicated down the hierarchical structure of an organisation. Strategy implementation takes place on different hierarchical levels according to the pre-set parameters without questioning suitability and adequacy. The Classical approach appears to be most appropriate for stable and mature industries as the industry itself has an influence on the performance of individual organisations. Michael Porter's 'Five Forces' model (Porter, 1979; Porter, 1980) may be appropriate to analyse the attractiveness for making a profit.

Although this approach may seem old fashioned and inapt for the 21st century, however, it is very likely that many organisations still function like that and therefore this approach must not be

disregarded. Limitations of this approach may lie in the uncertainty of events occurring in the organisation's macro environment that could make the approach obsolete.

The Processual approach

The '*Processualists*' doubt the value of rational long-term planning describing strategy as an emergent process of learning and adapting. Instead of attempting to make changes they accept and work with the world as it is. While classical strategists follow rational analyses Processualists tend to follow rules and routines already existing in the organisation and individuals in the organisation bring forward own objectives and their cognitive biases trying to embrace these in order to decide on the goals that they all agree on. In the processual approach strategy rather emphasises on internal development than external, building on the company's core competences. This is, as Jay Barney (1991) explained it, about using the valuable and non-imitable resources in the best way to outperform the competitors. The most valuable resource a firm can possess is knowledge as this is hard to trade on the market and hard to manage. Knowledge is gained by experience or by learning, making it personal and hard for competitors to imitate.

Contrary to the Classicists, who begin by formulating strategies and then implementing these, Processualists discover strategy through action. As mentioned before Barney's resource-based view is crucial in this approach as no matter of the opportunities in the market, organisations lacking the required skills and resources will fail inevitably. The emphasis in the processual approach is rather on the insights of the organisation than on the external foresight.

It appears that in the processual approach strategy emerges from basic everyday operations of the organisational strengths and from the market processes; strategies are best crafted in a continuous middle-up-down incremental process and this reminds of Kurt Lewin's (Lewin, et al., 1939) democratic leadership style. Somehow this sounds like a messy approach with strategy emerging from individuals in the organization seeking to include their personnel objectives as part of the organizational goals. How does the top management handle all these 'micro strategies' that may arise if everyone in the organisation creates new - personal - strategies based on their daily activities? Who, in this case, gives the direction, who knows what strategy the firm follows and where the firm is going? Another limitation of this approach might be the challenge in the choice of strategy to be adopted and the insecurity of what job functions the managers perform if strategy formulation is a bottom-up approach.

The Evolutionary approach

Whittington's Evolutionary Approach is based on the belief that the economic environment is continuously changing. Similar to Darwin's (1859) theories of the survival of the fittest they consider strategy's role of strategy in the response to the environment for survival and to maximise profit. While markets are considered too unpredictable for large investments in strategic plans, the '*Evolutionists*' "*believe that high profitability and efficiency are essential for the survival of the firm*" (Analoui & Karami, 2003, p. 50) and try to keep the costs low, increase efficiency and keep their options open. Competition will then select the fittest for survival while the others, if not changing quickly enough will powerlessly face extinction; successful strategies emerge in the process of natural selection and organisation fit into their economic environment. The proponents of the evolutionary approach advocate the idea that an organisation's success is more dependent on the environment than on its managers. Evolutionists argue that differentiation, as defined by Michael Porter (1985, p. 119) as providing something unique that is valuable to buyers beyond simply offering a low price, is

key to success as companies would not survive long enough unless being unique and able to outperform their competitors.

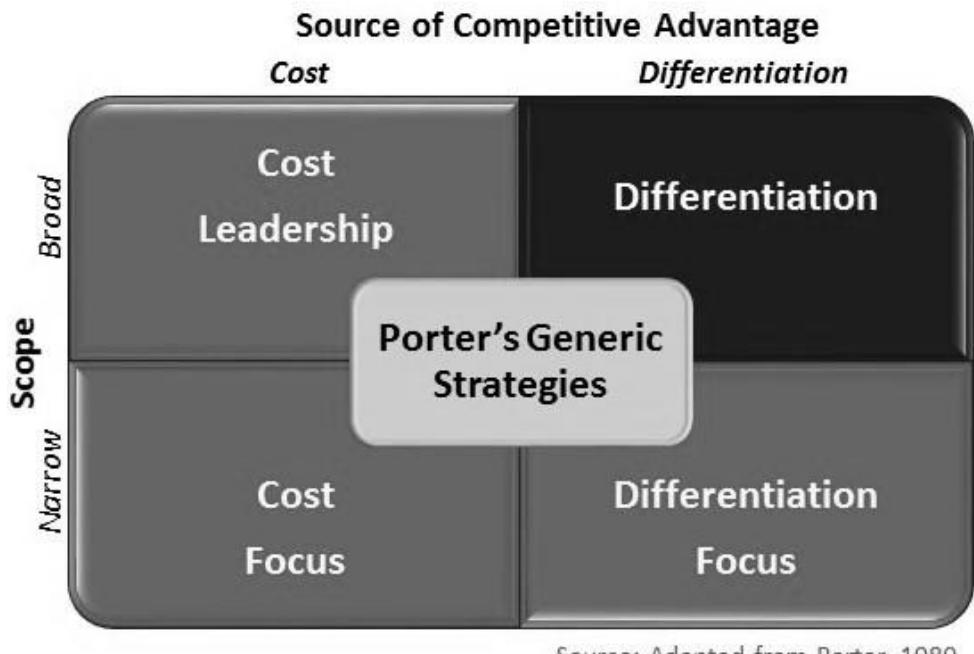


Figure 4: Porter's 5 Generic Strategies

Expensive investments in only one strategy would not be rational for managers as new competitors may push on the market as soon as a new product or service is launched and therefore many differentiated small products appear most efficient.

Whittington (2000, p. 22) quotes Sony and the release of their many different versions of the Walkman in the 1980's as a good example how the market had decided which would survive and which would be removed from the market through failure.

Though hardly ignorable the environment is one of the most important factors to base a strategy on it may appear certainly questionable to build a strategy only on the environment irrespective of the resources of the organization.

The Systemic approach

Though the Classical and the Systemic Approach agree on the long-term planning process they have a different perception on the outcomes of strategy. According to the Systemic approach strategies are developed in complex networks and are culturally defined; the objectives and practices of strategy strongly depend on the particular social systems in which strategy-making takes place. Strategy must be 'sociologically sensitive' as according to Whittington (2000, p. 39) both outcome and process depend on the character of the local social systems that the firm is acting in, appropriate to particular social contexts. From a Systemic perspective, there is no one best way of strategy: just play by the local rules.

While in the Classical approach a unitary outcome of profit maximization is sought, the Systemic approach seeks a pluralist outcome dependent on the organisations social context. The Systemic approach sees strategy similar to Mintzberg's cultural school (Mintzberg, et al., 1998, pp. 264-283)

seeing strategy formation as a collective process, as a reflection of the corporate culture of an organization. Mintzberg sees strategy formulation as an emergent process of trial and error that takes place during implementation. The systemic approach toward strategy is the deliberate development of strategy to meet cultural and societal needs while maintaining sufficient profit.

CONCLUSIONS

As previously mentioned, there are numerous ideas of how to understand what strategy actually is. Gerry Johnson summarises in short words that "*strategy is the long-term direction of an organisation*" (Johnson, et al., 2014, p. 3), the long-term planning on how to reach the firm's desired goals and how to use available resources and competences in the best possible way to achieve these goals.

Whittington's four approaches describe different ways or styles strategy could be looked at. In its own way everyone could probably relate to any of his perspectives as they are broad and there is no clear line of relationship between them.

Is Whittington's Systemic Approach the most persuasive and does it hold true after the crisis? Yes, it does, even more than before the crisis.

Strategic management theory originates from the Anglo-American business periphery, however, the unitary practice of profit-maximization does not necessarily fit with other societies' values. Today's business components of social change and the emergence of new sectors demand more than one unitary, profit-maximising outcome of strategy. Furthermore, today's increased volatility, rapid advancements in technology and the ever-increasing competition in global markets cause long-term planning processes to be less accurate and this results in an increasing usefulness of emerging strategies. In addition, certain strategy processes are more suitable in different industries than in others.

Strategy is formed in a process based on a cognitive structure of concepts. Cognitive structures of individuals might affect their perception of what strategy is and which visions organisational strategy has. Advances in cognitive studies and the failure of strictly rational quantitative models have backed the opinion that humans' rationality is only bounded.

Large organisations are as multi-facetted as our world today and therefore opinions and approaches of people working in it will differ from any chosen strategy. The co-existence of multiple approaches is almost inevitable except in extremely prescriptive management systems, as for example in the armed forces or in organisations with extremely strong organisational culture. It is very unlikely that a single approach will ever occur in an organisation but a mix of approaches and perspectives may be represented in most organisations today.

However, the judgement of success of a strategy is always measured by whether the desired goals and outcomes have been achieved regardless of the actual theoretical approach taken. Important is as Jenkins et al. (2016, pp. 1-5) expound that managers understand the reasons for disagreement in strategic theory and then use this understanding to their advantage in plotting the most effective course for their organisation.

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