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'BUSINESS AT THE SPEED OF LIGHT' – THE ROLE OF TIME AND SPEED ON BUSINESS STRATEGY

The article focuses on the importance of the dimension of time and speed in the world of competitive strategy. In today's global village, businesses struggle with competitors in the industry to achieve sustainable competitive advantages through the creation of economies of scale and/or economies of scope but also to achieve economy of time. In some industries this is one of the key success points for leadership in the competition. The article describes the trends in the area of the impact of time and speed on the world of strategy and presents the main parameters that influence the speed of the implementation of the strategic processes by companies.

Keywords: **Business Strategy, Speed, Time, Time-Based Competition.**

Business strategy is directly related to time and speed. Expressions such as time-based strategy, time-based organization, just in time, response time, and so on have become an inseparable part of the terms of the world of business strategy.

In such a dynamic business world, business management obligates the rapid execution of strategic decisions. For example, Andrew Grove, the legendary CEO of the INTEL Corporation said, "Speed has become everything in the world of business" (Fortune, 1992) or Jeff Bezos, the founder of Amazon.com, calls it, "business at the speed of thought" (Spector, 2008). We act in a world that does not rest for a moment and more than a few companies today operate without stop 'around the clock' – 24/7 – every year in a great number of time regions around the globe.

This means that companies needs to make more decisions in a shorter period of time, at a higher level of uncertainty or lack of information, and at a more aggressive level of competition, which immediately punishes every delay in the schedule. For example, in the field of fashion a delay of few weeks in a new line of products reaching the market is critical(Gilbert, 1993), and in the airplane manufacture industry a delay of few months can cause a lot of damage as we saw when the European airplane manufacturer Airbus, pospone few times its new superjumbo A-380 launch date. That caused a crisis that eventually led to the resigns of Gustav Humbert, the President and CEO of Airbus (Airbus press release, 2 July 2006), to the payment of high penalties to the aviation companies that had ordered the plane due the delay in the delivery date, and eventually to the cancellation of orders and the transfer of clients to its main competitor, the American Boeing company. Time can be expressed in a variety of ways in the company day-to-day life like: cycle time, time to market, new product development time, time elapsed between order replacement and payment and real-time customer responsiveness (Helms – Ettkin, 2000). Concepts of time vary dramatically across individuals and cultures. Work is drawn from anthropology, psychology, sociology, and management to identify five dimensions of time that guide the review and discussion of dynamic strategic management research. The five time dimensions are: nature of time, Real or epiphenomenal, experience of time – Objective or subjective, time flow – novel, cyclical, or punctuated, time structure – discrete time, continuous time, or epochal time and temporal referent point – past, present, or future. Therefore, the perception of time of the company's management influences the behavior related to the resource of time in the context of the decisions related to the speed of performance of the firm's strategic courses of action (Mosakowski – Earley, 2000).

The reasons for speed acceleration in strategic processes

The development of information and commu-nication systems allow us to live at a steadily increasing pace of life that pushes us to perform more activities at a given time and at a more rapid speed. Our expectation of ourselves and of others is for a faster response time and thus companies act in regards to changes in the market, changes that related to regulation, competitors' activity, clients' needs, etc.

The new generations of managers was born and adjusted to a rapid, shifting world that changes without stop and their expectations are to perform rapid processes, even instant ones. They sometimes lack the patience for long-term processes that do not bear fruit in the short term (Contrel, 2000).

The intensiveness of the management work steadily increases in aspects of load and time. These developments explain the rise in the attention dedicated to the topic of the execution time of strategic processes. Therefore, managers are required to make more decisions on a higher level of uncertainty or lack of information and at a more aggressive level of competition (Eisenhardt, 1992).

The execution speed of strategic processes is one of the key variables that influence the companies' success. The advantages of the first mover, such as increase in the sales and profits, improvement in the image in the clients' opinion, and achievement of a competitive advantage, tempt many managers but require a high speed (Forbes, 2005).

The speed at which a company performs strategic processes is comprised of the speed of decision making, the time that passes from the beginning of the examination of the alternatives to the decision to the time at which the commitment to the decision execution is announced, and the speed of execution, until the decision is implemented in actuality (Mintzberg, 1987).

The indicators of time are related to four areas of the company's performances: the process of development of new products, the processes of the making of strategic decisions, the processes of manufacturing, and the processes of customer services (Stalk – Hout, 1990). In every such realm, many researches have been conducted intended to examine the impact of the shortening of the time (the increase of the speed) on the performances. According to the researchers, the time (speed), expenses, and quality are inter-related and the analysis of the time has greater importance than the analysis of the expenses. It is necessary to ask the right questions related to time such as why do we repeat the same stage or process twice? Why do we perform a certain activity in sequence and not in parallel? Why does a certain process occur in only half the time? Why are there too long waiting times between processes? These questions and others enable, in addition to the shortening of the time, the reduction of expenses, since 'time is money', and the improvement of quality. The conclusion that speed and performances are interrelated was proved by the experience of a steadily increasing number of companies (Judge – Miller, 1991).

Most managers acknowledge the fact that speed influences. A slow strategy is not effective, just like a mistaken strategy. One of the senior managers summarizes the importance of speed as follows, "No competitive advantage lasts in the long term and the field is not static; the only competitive advantage is to move rapidly" (Eisenhardt, 1990).

The implications of the process of the speed acceleration on the strategic management of the companies

Companies that do not adjust themselves to the pace of the 21st century, that do not develop new abilities and products quickly, and that act in lengthy and awkward processes of the making and implementing of decisions will not survive in the long-term since other companies will always be ahead of them. The 'graveyards' for companies are filled with such companies. Slowness in the making and implementation of strategic decisions can cause a company to miss its window of technological or marketing opportunity to reach a market with new technologies and products.

The average life span of Fortune 500 firms is only forty to fifty years, and this time is steadily growing shorter (Gandossy, 2003). Therefore, only companies that will intelligently develop quick response time to the consumers' changing requirements can survive.

Stalk and Hout (1991) researched the impact of time based strategies on the competitive advantage of technological companies. The researchers maintain that the way in which leading companies manage their time constitutes a source of competitive advantage. Firms with a rapid innovative cycle of products and services can move from the situation of 'follower' of the market leaders in their field to the situation of 'leader' in the field in only ten years. These companies do not wait for the 'next great innovation'; rather, continuously and incrementally they renew their products every time, small step after small step forward, and this allows customers to enjoy each time improvements in relatively short time periods. The researchers also discovered that the studied Japanese companies sometimes create large gaps in the shortening of the development cycles of the following generation of the products relative to competing American companies to the level of half the time that the competitors took. The Japanese companies had a development cycle of 12 to 16 months versus 36 to 48 months on the part of the American competitors. In these Japanese firms the important performance variables are cost and quality but 'the calendar is the king' and the time objectives are determined as shorter than those of the competitors.

Time based companies determine time measures for every activity and build the operational goals around the dimension of time. These companies compare their 'time performances' to those of the best competitors or to the best practices in other fields (Stalk – Hout, 1990). Stonich (1990) notes that time based companies need time based management based on time based leaders who never stop watching the clock. The topic of the performance speed is one of the main values that need to be assimilated in the company's organizational culture.

In certain fields in which the consumers are very sensitive to time and accord the manufacture or supply time considerable importance in the making of their decisions (for instance, in the field of international shipping), time based competition develops (Hum – Sim, 1996). In certain fields "time wars" even develop between the companies. One of the best examples is in the field of motorcycles, when Honda, Japanese motorcycle manufacturer, used time as a strategic weapon against its main competitor Yamaha (Stonich, 1990). Honda shortened its development time schedule and succeeded in tripling in only eighteen months the number of new models in the market. Therefore, Honda succeeded in taking over significant market segments from the competitor.

Organizations differ from one another in their perception of time (Ancona et al., 2001). This also influences the reference to the speed of execution of strategic decisions as a part of the organizational culture. The speed of the strategic decision making is an incomparably important parameter. The making of strategic decisions quickly and the rapid execution of the strategic courses of action are considered an instrument in the achievement of a competitive advantage that helps exploit opportunities. This allows, for instance, to advance ahead of the competitors in the penetration time to a new market, in the time to market of new technologies or products and new services, in the time to take over global market shares, in the speed of forging strategic alliances, etc. (Stalk – Hout, 1991).

Speed is more important in areas in which the growth rate is high, in areas in which the technological changes are rapid, and in areas in which the consumer needs change rapidly, since being first and having a fast response time have critical importance on the firm's positioning in the market. The high-tech field is a good example of such a market (Bourgeois – Eisenhardt, 1988). Quicker decisions are not necessarily better decisions but they must not harm the quality of the decisions (Baum – Wally, 1994).

Conversely, Ancona et al. (2001) maintain that excessive speed can get the organization caught in a 'time trap', which eventually will harm the performances. Organizations that 'sanctify' time may make incorrect decisions only to meet the schedule they set for themselves. In many areas the word 'high speed' awakens in us an association of high risk and potential for damage or harm. So speed, in any type of strategic decision, requires clarity, confidence, and clear definition of a vision so as to perform the strategic adjustments the company requires in a clear manner (Cottrell, 2000).

Variables influencing the organization's ability to rapidly perform strategic processes

The speed of performance of strategic processes is comprised of the time dedicated to the making of the strategic decisions and the time dedicated to the execution. Most researchers focus on the decision making processes and on the impact of the time and speed on the performances. Several variables influence the speed of execution of strategic processes:

a) The company's organizational culture and its reference to the speed of performance, to control, and to measurements of continuousness of the task performance, meeting milestones and schedule constraints.
b) The personal characteristics of the managers and their attitude to time, for instance, Forbes, (2005) holds that older managers make strategic decisions more rapidly.
c) The processes of the design and collection of information in real time. Eisenhardt, (1989). The first reason is that information in real time allows problems and opportunities to be identified and defined faster. The second reason is that information in real time creates an intuitive need among the managers to respond more rapidly, while a third reason is that information in real time creates work patterns of a rapid response in the organization.
d) The number of alternatives at the disposal of the decision makers. Eisenhardt (1989) maintains that the multiplicity of alternatives accelerates the decision making and this is reinforced in the research of Judge and Miller (1991). When managers have a great number of alternatives, they feel more prepared to make a more rapid decision and to execute it. The multiplicity of options also allows a quick change to another alternative, if the chosen option does not succeed as planned.
e) Level of centralization in the organization: Baum and Wally (1994) assert that in the centralized organization the decisions are made and performed more rapidly than in the very formal organization.
f) The degree of tolerance of risk: A strategic leadership of an organization that is more tolerant of risk will have a tendency to decide and execute more rapidly the strategic.

Conclusion

According to many researches, the importance of the topic of time (and speed) in the world of business strategy is significant. Following the known economic advantages, as in the example of economies of scale and economies of scope, it is also necessary to take into account the 'economy of time' as a powerful source of competitive advantage (Helms - Ettkin, 2000), which today requires the decision makers to shape the organization as a dynamic organization that can rapidly initiate and implement strategic processes and respond quickly to strategic changes in the industry or to strategic processes of competitors in as short a period of time as possible.

For the organization to succeed to compete in the dimension of time, it must examine the way and processes of decision making in the organization and the transition from decision to implementation. It must identify and deal with the main barriers that inhibit the speed of the organization processes and make speed one of the core values of the company's organizational culture.

However, despite the importance of speed and its impact on the success of the company's strategy, as presented in this article, we must not be confused: speed is not a strategy but it is an additional tool that promotes the achievement of the organization's strategic objectives.

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