

Tamás Mészáros

# *The future of strategy – the strategy of the future*

AULA KIADÓ, 2005

When I first read this book by *Tamás Mészáros* it was a textbook. Its main merit and strength was the clear and systematic classification of works written by Hungarian and Anglo-Saxon, principally American authors on the evolution of strategic approaches and methodologies. Therefore, the ingenious title of the book does not exactly match its contents, as the author devotes at least as much attention to the past of the subject as to its present and future.

Another merit of the author and strength of the book is the approach which it radiates. It encompasses a realistic handing of the subject and helps avoid the exaggeration or underestimation of its importance. “The best way to study... strategic management is to get to know the individual steps of the process, their drivers and key messages, and then focus on the drivers of changes and the real advancements...” (page 10) Which strategy and what related management methods lead to success?

According to the author, many answers were provided by many thinkers to this question over the past decades, and real life examples are by all means even more diverse.

This diversity and evolutionary nature of strategic approaches, techniques, perceptions and models are intentionally underscored by the author with the questions marks which he put in the chapter titles that deal with the past, present and future of strategy. The evolution of strategic thinking encompasses the road from financial planning to strategic management. The appearance of strategic planning throughout the entire process induced a quality change in corporate leadership.

The author discusses the development and ever-changing models of strategic planning and management in the Post-World War era in four blocks.

■ The first block renders a picture of the development and evolution of different



approaches to strategic thinking. The backbone of this chapter is the description of the phases and characteristics of a nearly fifty-year development period, featuring clearly identified differences between the individual eras. The drivers of these changes basically related to shifts in the immediate and broader business environment.

The starting point of Tamás Mészáros' approach is that two basic schools seem to have emerged as early as in the first publications on the theory of strategy, and they have accompanied the evolution of strategic thinking ever since. One is the normative school which is based on the analytic methodologies and target-setting required for the creation of successful strategies. This school is represented by the Harvard Business School. Please allow me a personal note here, if for no other reason than for the authenticity of literature sources. It was the present writer whose work introduced the Harvard philosophy and methodology of corporate strategy in Hungary.<sup>1</sup>

The other model of strategic theory is the *descriptive* approach. The primary consideration of the followers of this school was to get to know the actual corporate processes of strategy creation and implementation, and then generalise real life experiences as much as possible for developing a theory.

The author does not overestimate the scientific significance of literature on the subject. He does not suggest the impression that the creation of corporate strategy is a set of disciplines determined by objective interdependencies: "...research into strategic management" "...is basically empirical." "Consequently, strategy is often found to have been derived from success subsequently, while descriptions of strategies that lead to success are less frequent. This is what raises certain proven solutions of specific companies to the level of theory..." (page 22) And later: "...the theory of strategic management is unable to provide a

description of strategy types and various solutions, methods and models within those types which could function as standards that guarantee success." (same page) Referring to data presented by American researchers and technical writers, the present writer can only confirm the following statement: At companies managed on the basis of strategic management principles, not more than 30–40 percent of strategic plans are implemented at an average.

■ The second block of the book, titled "The past?" discusses strategic planning itself. It reviews the process of creating a strategy, the related models, methods and organisational solutions. Each of these approaches focus on the analysis of the external and internal environment, paying special attention to the company's market position. The author presents the elements of corporate strengths and weaknesses, the process of establishing corporate objectives and that of developing action plans.

One key statement in this block is that it is not formalised planning and the plan itself that matters, but rather the creative process of planning which is actually a chain of interrelated decision-making processes. "...what we need is a less tight process for creating a strategy and not deadlocking it by arbitrary formalization" – quotes Mészáros an American specialist.

■ The third block of the book, titled "The present?" addresses the issue of strategic management, relying principally on publications of Hungarian researchers and technical writers. This block presents the process of strategic management, evaluates its model and describes procedures which support the implementation of the strategic plan.

Strategic management is a corporate leadership method which is based on the integrated entirety of strategic planning, strategic implementation and feedback – quotes the author the definition of a Hungarian researcher. Regarding the organisational frameworks of strategy creation, the author makes reference

to the fact that the elaboration of strategy also appears as a political or power process.

The focal part of this block discusses the new approach to the competitive environment and the related five-factor model of Harvard professor *Michael Porter*. The model focuses on two views of the competitive position which is indispensable for creating a strategy. The first view is the industry where the company operates. The analysis of this view could provide information on the average profitability of the sector and on the expected structural changes and development trends therein. The other view focuses on the behaviour change of market players who impact the “power field” of competition.

The author presents the role of the corporate mission and vision in the creation of a strategy. It is the vision and mission which set the direction for the analysis and help shape a future-oriented strategy.

To the same extent as human capital gained significance versus physical capital, corporate culture gained ground as an important factor of strategy creation. “It is not that structure...” “is aligned to the strategy which was developed in some way”. Instead, “the intention is to shape the organisation's structure and other features” in a way that enables the organisation to elaborate and implement the right strategy”- quotes the author a Hungarian source. (page 113)

The author analyses alternative growth strategies in a clear, concise manner. He starts out from the point that competition usually forces companies to compete, and then reviews the related alternative strategies, presents their benefits and drawbacks. The present critic of the book would make a remark here, especially with a view to the circumstances in Hungary, pointing out that depending on its intensity, competition can motivate, it can enforce expansion or even hold back, or I should say paralyse growth attempts. In countries

throughout the world, including Hungary, where markets were liberalised “overnight”; where the exchange rate policy weakened the competitiveness of domestic enterprises substantially and without reason, competition rather had a paralysing impact on expansion plans instead of encouraging them. Under such circumstances, strategic alliances are becoming especially valuable, similarly to the outsourcing of activities and other strategies which serve the elimination of threats posed by competition. These eliminating strategies are also discussed by the author.

One important chapter in Tamás Mészáros' book which should also be observed in real-life strategy creation is about the balancing and harmonising of external and internal (intra-company) factors that influence the setting of strategic objectives (*Balanced Scorecard*). The right thing for companies to do is to try to combine the approaches and alternative solutions which emerged during the decades-long evolution of strategic planning.

■ The fourth block of the book is titled The future? “...we have no doubt about the future of strategy” – wrote the author, listing all environmental factors which have caused changes in the philosophy and methods of strategy creation: from the “new economy” through the formation of information and knowledge-based societies to specifics which derive from globalisation. He also presents vision-based strategy creation processes which put innovation and change to the forefront.

In this context, reference is made to the evolution of a new type of companies. These are constantly (!) learning, networked organisations which function in the global market, principally designed and tailored for information and communication technologies and e-commerce.

The book is a second, updated edition which inclines the reader to raise further thoughts and questions.

► Should not the development and current state of the “theory” of corporate strategy have been reviewed in a European context as well? The book clearly suggests that strategy is an Anglo-Saxon, principally American phenomenon. It may be so, but then it should be supported with documents somehow. The reader may miss this approach and the short chapter titled “European Union strategies” will surely not fill this gap. This chapter is not really about the types of strategy-creating practices applied at European companies, or about the relevant achievements of European research think-tanks. Instead, it provides a rough description of the EU's macro-environment. The author only cites one specific quasi-corporate strategy, but even that example mixes past and future elements.

► Why does the author exclude uncertainty and risk management from the scope of the discussion? The index of the book does not mention the former at all, and the latter is only referenced once (and discussed in the book only over a few lines). The nature of uncertainties is also changing. Consequently, the conditions and techniques of risk analysis are transforming as well. All this has a significant impact on the process, timeline, flexibility requirements, etc. of strategy creation.

► What is the basis of the statement that “... by the end of the century, a significant ratio of companies operating in Hungary have

become organisations that apply the approaches and techniques of strategic management and are managed in a modern manner”? (page 185) Surveys of corporate demographics, data on the transforming structure of the size of businesses, along with the unbelievably low innovation activity of companies (19 percent) all seem to contradict with the author's statement. My own investigations also show that most Hungarian-owned companies are operating on a short-term survival strategy. Only a very thin segment of companies is growth-oriented and base their operations on a long-term strategy. This group includes processing industry, trading and financial services firms and institutions which are considered large on a Hungarian scale, plus some medium enterprises which have integrated into the international market. If the author's statement applies to foreign-owned companies operating in Hungary, I am inclined to agree, albeit one may dispute whether these companies can be regarded as independent, strategy-creating organisations.

I recommend this book and the application of approaches and methods presented therein to professionals working at strategy-oriented consulting firms, to innovative medium and large businesses with growth plans, and to the associates of state institutions who are responsible for creating plans and strategies.

*György Varga*

#### NOTE

<sup>1</sup> Varga, Gy. (1970): Az amerikai business. Vállalati stratégia és management, *Közgazdasági és Jogi Könyvkiadó* (Varga, Gy: The American Business. Corporate Strategy and Management)