Strategic Philosophy and Competitive Advantage: Conceptual Understanding and Application in Public Sector Organisations

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ABSTRACT

All organizations deal with strategy, but organizations operate under different conditions, affecting their understanding of how to do strategy. The study aims at providing an argument on how managers in public sector institutions apply the practice of strategic philosophy in their quest for effective practice of strategic management. Strategy is vital for competitiveness, effective and efficient public service delivery and for successful leadership. Strategic philosophy refers to a set of beliefs, personal views or rules concerning the nature of organizational strategy. Managers apply these beliefs, values and rules to help make strategic decisions that provide direction, cohesion, mission and motivation to pursue organization’s strategic goals. The bureaucratic nature of public sector causes it to function according to unique set of principles, norms and rules. These rules and principles are influenced by the political nature of the institutions with little autonomy and/or discretion to decide on priorities, set own goals and deal with challenges and problems in order to exploit any emerging opportunities. This article used systematic literature review to identify studies that discussed the concepts of strategic philosophy and competitive advantage. Two focus groups discussions were also held with managers from public sector and civil society organizations. Since previous studies have been treating these concepts separately, articles dealing with each aspect of the study were reviewed and analysed to establish if any relationship exists between the two concepts. The study found out that the position occupied by a manager in the organization, skills and experience determine how he/she conceptualises the whole process of strategic planning. Senior managers believe that their role involves crafting the mission, vision,
values, strategic goals and providing direction of the enterprise. They also determine the strategies that are likely to create superior performance.

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**INTRODUCTION**

The study aims at providing an argument on how managers in public sector institutions apply the practice of strategic philosophy in their quest for effective practice of strategic management. Strategy is everywhere; all organizations deal with strategy. However, organizations operate under different conditions, affecting their understanding of how to do strategy. Strategy is generally considered vital to a firm’s competitiveness and to effective and efficient public service delivery and successful leadership.

Strategy may be described in many ways. However, regardless of one’s description, a good strategy must possess several elements including a description of how an organization will attract and retain clients or customers; how it will establish a unique value proposition that is different from that of competitors; a series of planned and coordinated initiatives in pursuit of building an advantage over competitors with specific customer targets; how an organization will compete and win and how it will earn superior profits and create wealth for its owners. A strategy also provides a filter for decisions, in other words, it helps decide what moves an organization will make or not make and provides a guide for everyone on selected initiatives, investments, and goals. A strategy, therefore, defines a general approach that will enable a firm compete and win in its niche markets and customer groups.

Strategic philosophy refers to a set of beliefs, personal views or rules concerning the nature of organizational strategy. Managers use these beliefs, values and rules to help make strategic decisions that provide direction, cohesion and a strong sense of purpose and motivation to the organization. Strategic philosophy is usually influenced by a manager’s intuition, reason, skills and experience. In the current era of rapid change and increased volatility, a manager’s competences and approaches to formulating and implementing strategy must also adapt. So does the organizational culture in order to create superior performance and competitive advantage.

A strategist must never ignore the place of culture in the strategizing process. As Peter Drucker observed, “culture eats strategy for breakfast”. Organizational culture is defined as the values, practices and beliefs commonly shared among group members. It includes expectations and experiences that guide members behaviour, intentions with outside world, norms, symbols,
language and assumptions (The Business Dictionary, Schein, 1984). While it is intangible, it is real and active in the actions, behaviours and approaches of the members of an organization (Groysberge, Lee, Price & Cheng, 2018). It defines the implicit but real rules of behaviour that govern how people make decisions, resolve differences of opinions, formulate strategies and initiate strategic change.

According to Beaver (2003), and Brockmann and Anthony (2002), strategic management practice is both intuitive and philosophical in its undertaking. Porter (1985), argues that strategy is about making choices in order to establish the course of action that will yield maximum benefits to the organization. The approach to strategy formulation has been linked to personalities, values and self-interests of managers (Guth & MacMillan, 1986).

The bureaucratic nature of the public sector causes it to function according to unique set of principles, norms and rules. These rules and principles are influenced by the political nature of the institutions with little autonomy and/or discretion to decide on priorities, set own goals and deal with challenges and problems in order to exploit any emerging opportunities. There exist challenges that arise as a result of putting in efforts to create a balance between democracy, prominent role of professions, the number of stakeholders and legal certainty on the one hand and efficiency and the significance of transparency, predictability and accountability on the other hand (Frederiksson & Pallas, 2016, p. 151).

Strategic philosophy should not be viewed as opposed or against the theory and approach to rational strategizing. There are at least two arguments that support this position. First, the rational planning model advocates for evidence-based strategic options for a firm to yield maximum benefits. The philosophical view acknowledges that due to environmental uncertainties and bounded rationality among planners, subjective decisions based on intuition may not be eliminated entirely, which forms the basis for the support of the philosophical viewpoint among many strategists. The two perspectives are concerned with decision-making that creates sustainable competitive advantage. Even though most of the research work in strategy and strategy discourses seem to have favoured a rational approach to planning, incorporating philosophical and intuitive perspectives in strategic planning acknowledges that rational planning is not sufficient to be relied on entirely.

Strategists acknowledge that the dynamic nature of organizational environment poses challenges of bounded rationality in decision-making. During periods of uncertainty and turbulence, simple, linear and rational approach to strategizing cannot address the challenges of politics, conflicting goals, chaos and randomness in the public sector. Consequently, managers may be called upon to apply intuitive decision-making to address a crisis or to make strategic decisions in the absence of key information.

Secondly, in spite of the existing several viable strategic options to pursue for a particular strategic objective, it can be argued that no one ‘magic bullet’ strategy can address a strategic issue. Instead, a strategist should match a particular strategy with the prevailing situation. A particular strategy may therefore, be superior in a given situation and not in others. Each philosophical viewpoint should be considered independently given the specific context under consideration (Parnell, 2005). Customers especially in developed and/or democratic states enjoy a high degree of independence and are allowed to preserve their individuality. Hence, people are allowed to stick to their opinions and choices most of the time. Therefore, one-size-fits-all strategies do not work anymore. The government has to render services that will meet the needs and requirements of its citizens. People are individualistic in today’s world and they cannot be lured or compelled by strategies that are very generic in nature.

The choices people make are influenced by their national culture, ethnicity, religious beliefs and social backgrounds. A generic approach of ‘one-size-fits-all’ to strategizing and service delivery to the public will not ensure that all the people belonging to different demography are targeted. Ideal strategies are those tailored to target specific groups of people. Take, for instance, the fight against terrorism and the need for increasing the level of cohesion among citizens in order to
maintain safety and security. In a heterogeneous society, different communities will require different approaches and techniques depending on the community structure, beliefs and practices.

**METHODOLOGY OF THE STUDY**

The study used systematic literature review to identify sources that discussed the concepts of strategic philosophy and competitive advantage. Since previous studies have been treating these concepts separately, articles dealing with each aspect of the study were reviewed and analysed to establish if any relationship exists between the two concepts. Data collection included searching and selecting articles from relevant journals in electronic databases as discussed by Fint (2005). Further, the researcher interviewed two focus groups comprising of managers, ranging from middle to senior levels of management in public and civil sector institutions. The groups had 8 and 11 members respectively.

**DIMENSIONS OF STRATEGIC PHILOSOPHY**

Review of specific literature and analysis of data collected provided content that helped interrogate three fundamental questions regarding strategic philosophy. First, does the process of strategizing emphasise an approach that is art-based or science-based? Second, should the practice of strategizing focus more on following a consistent approach or flexible one? Third, should the practice of strategy in the public sector start at the top and then trickle down or should it start at the bottom and then move up?

**Strategic management being an art or a science**

The debate as to whether formulation of strategy is art- or science-based has been there for a long time. Many could hold a view that the art-science discourse has been the preserve of academicians. However, this debate is equally helpful to practitioners and managers who play critical roles in organizational strategic management process. The way managers view the strategic planning process is informed largely by his or her strategic philosophy. (Parnell, 2005). Many researchers, writers and managers accept that just like the organization management field, strategic management applies both the principles of art and science. It is, however, debatable whether managers and strategists are able to seamlessly blend the two.

A huge amount of literature in strategic management has been seen to favour the science-based or the rational view to strategizing, where strategic managers apply a systematic approach to analyse the environment to establish perceived strengths, weaknesses, opportunities and challenges. On the basis of such analyses, managers come up with possible strategic alternatives. The focus on relationships and trends together with objective rational analysis becomes central to planning. This approach also comes with the belief that strategic managers ought to be competent in analytical thinking with ability to analyse and translate data into actionable strategies that will enable the organization to move to the desired direction. The failure by many firms to accurately and timely conduct environmental scanning and accurately predict the future in order to appropriately respond to the dynamic changes in the environment has left many firms in a weak competitive position. Due to complexities that exist in the environment, strategists must blend rationality with creativity and intuitive thinking (Ford & Gioia, 2000).

Henry Mintzberg’s in 1987 began a discourse about strategy as craftsmanship. He argued that this approach combined skills, intent-driven focus and attention to details which in his view made strategy-making an artistic concept. He saw the strategist adopting a similar mindset as a craftsman dealing with pottery. The strategist artistically analyses the prevailing organizational situation, interprets the information and formulates appropriate strategic responses in the same way that a potter moulds clay. Mintzberg further argued the existence of two strategic approaches: deliberate strategies which are top-bottom in approach and emergent strategies which are often bottom-up and sometimes perceived as dissent of top management thinking. According to Parnell (2005), top management views strategy making as a science-based approach while lower cadres of management and supervisors see strategy making being influenced by arts paradigm.
Strategy as consistent vs strategy as flexible

Strategists may decide to make certain moves over a specific period of time should it be seen to bring about superior value to the organization. The value could be in terms of unique and imitable competences, riding down the experience curve faster than rivals or developing a respected brand reputation. It may also choose to remain flexible so as to adapt its products, technology, or market approaches to changing environmental and market trends. Should market forces create a perfect competitive environment – which never exists, firms may be in a position to accurately predict successful moves so that only incremental changes are witnessed. (Grewal & Tansuhaj, 2001).

Strategic moves that create competitive advantage must match conceived strategies with internal and external environments, thus, creating a strategic fit. In the absence of strategic flexibility, a firm will not adapt to environmental changes and will remain in a weak competitive position (Parnell, 1997). Even where strategic alignment exists, unexpected shift in environmental factors will require strategic change for the organization to create a new strategic fit. Parnell (2005), argues that during strategy implementation, the challenges encountered in implementing strategic change are more pronounced at lower levels of management who are responsible for cascading the conceived strategies. This is because lower level management and supervisors are likely to put much emphasis on strategic consistency while senior management is more likely to put emphasis on strategic flexibility.

Top-down direction vs bottom-up participation in strategy formulation

Many researchers have argued that lower-level management and supervisors ought to be actively engaged in the strategizing process due to their role in strategy implementation. Proponents of bureaucratic strategizing process reason that top and senior management are more competent and legitimate to guide strategic planning because they possess skills, experiences and fiduciary responsibility to craft strategies. Those who advocate for bottom-up strategy participation process (Currie, 1999; Fenton-O’Creevy, 2001) argue that lower-level management and front-line supervisors should be actively engaged in strategy formulation since they are critical players in strategy implementation.

Current research has placed much emphasis on the critical role of managers at various organizational levels in creating organizational competitive advantage (Markoczy, 2001). Even though much of the strategic management research in the seventies and early eighties relied on top management’s insight into organizational strategizing, the value and focus of lower-level management involvement is not new in strategy literature. According to Mintzberg and Waterman (1985), the practices of deliberate and emergent strategizing process acknowledge the value of all levels of management engaged in the strategy process. This thinking is further reinforced by Nichol (1992), who argues that synchronized strategy making is a team endeavour that requires inputs from all levels of management.

Previous empirical literature has not given much emphasis on the role of strategic philosophy in creating superior organizational performance either for business firms or the public sector. There exists a relationship between the two. The understanding and application of the concept of strategic philosophy by the managers will determine to a large extent whether sustainable competitive advantage will be created.

THE THEORY OF COMPETITIVE ADVANTAGE

The competitive advantage theory propounded by Michael Porter in 1985 postulates that nations and businesses and/or organizations ought to create strategies that produce valuable and competitive goods and services that fetch high prices due to their superior market value. According to Porter, competitive advantage- superior performance- goes to organizations that will create superior value and/or manage their cost structure. The prominence of the concept of competitive advantage is believed to have originated from economic and military strategy literature (Whittington, 1993). Unique and superior goods and services are key characteristics that lead to creation of a firm’s competitive advantage. Therefore, competitive advantage is created when a firm acquires unique and valuable
attributes that allow it to out-compete its rivals or substitute products. Competitive advantage is a superior ability that allows a firm to perform above average as compared to all others operating in the same industry.

Theoretical debates in the field of competitiveness, should be established within a broader ideological strategy discourse. The ideology behind being competitive among scholars and practitioners originated from the broader discourse of entrepreneurial culture as popularized in the UK and US since the early eighties.

According to Porter (1985) superior value creation and differentiated cost structure are key to organizational superior performance. Superior performance may also result from either monopoly rents, Ricardian rents of differential gains or Schumpeterian rents resulting from the development of new processes that generate business profits or entrepreneurial rents (Peteraf, 1993; Powell, 2001).

A major contribution on the strategic management discourse is derived from Michael Porter’s work on competitive advantage (Porter, 1980; 1985). Prior to this, Porter had in 1979 focused on guiding firms on what to consider when deciding to enter into a particular industry. He postulated a five forces framework in which he discussed five forces that should guide a firm in analysing the firm’s ability to serve customers and generate profits. The five forces are: (i) the bargaining power of buyers; (ii) the bargaining power of suppliers; (iii) the threat of new entrants; (iv) the threat of substitute products and (v) the degree of competitive rivalry.

Before deciding upon which markets to enter, firms are advised to analyse the five forces and create strategic responses that will enable them to decide which markets to enter into and which strategies are most effective in addressing the five forces. Critics argue that Porter’s analysis is somehow weak because it assumes that the five forces operate independent of each other and that strategists have access to perfect information (Coyne & Subramaniam, 1996).

Porter in 1980 further developed his strategic model by postulating that organizations can apply generic strategies to decide on the best approach to create competitive advantage. These generic approaches are: cost leadership, differentiation and market segmentation (or focus). Cost leadership strategies are best suited for firms that find it difficult to differentiate their products. Differentiation strategy assists firms to create differential brands oriented toward different demand sectors. The last category adopts a ‘focus’ strategy by concentrating on particular market niches either as a differentiator or a cost leader with a view to providing excellent services to a limited clientele. However, the assumption that such strategies are mutually exclusive has been repeatedly challenged in literature (Flint, 2000; Klein, 2002). Porter offers little advice on how organisational resources are to be aligned in the effective implementation of the adopted strategy (O'Shaughnessy, 1996).

This paper engages in a discourse on how strategic philosophy influences strategists in both private and public sector organizations in terms of understanding how strategy is thought out, discussed, formulated, and implemented. The discourse is guided by the following research question: How is strategy conceptualized in public sector organizations? Thus, in this article, the linkage between the guiding philosophies in strategy conceptualization and the creation of competitive advantage in public sector is described.

Powell (2001) observed that most empirical studies infer competitive advantage from ex post-observation, but then come up with ex ante conclusions that competitive advantage produces superior performance.

Competitiveness in the global economy became the new mantra of both the Reagan and Thatcher administrations as a means of achieving economic growth after decades weak performance. Managerial sources on competitiveness both reflected and reinforced this new emphasis on becoming competitive in order to survive. The espoused policies sought to extend the domain of free market philosophy in both private and public sectors. This gave legitimacy to the political right wing to reduce continued state support of underperforming state institutions. National economies, state agencies and individual firms were obliged to compete in the marketplace. These perceived harsh prescriptions were advocated to
overcome sluggish economies and underperforming state agencies that were characterised by low productivity, loss making over-establishments and lack of investment.

Key policy considerations of the Reagan-Thatcher doctrine, for example advocated for privatisation of non-performing public institutions, deregulation, restructuring and the reduction of trade union power and influence on wages. Tax regimes were reviewed in an effort to provide incentives for business growth. Welfare benefits were considerably reduced to encourage more people to be engaged in gainful employment (du Gay, 1991; du Gay & Salaman, 1992; Keat & Abercombie, 1991).

The theory of New Public Management gained momentum during this period. Private sector culture comprising of policies, initiatives, practices and ideologies emerged. This new line of thinking has significantly impacted the UK and US economies and society at large in a positive way. Other developed nations and tiger economies have also embraced this philosophy enabling them to register significant gains.

Generally, competitive advantage is viewed to have six major sources:

**People**

People and their talents are considered to be a key distinctive competence in the creation of superior organizational performance. If talents in an organization become superior to those of competitors, they will exhibit unique capabilities in creativity and innovation, designs and production processes and/or in the distribution of products or services. These will in turn help the organization to create sustainable competitive advantage. People possess tacit knowledge which when effectively tapped may become a key ‘resource’ in creating competitive advantage.

**Organizational Culture**

Organisational culture refers to the way an organization or society does its things. It is expressed in shared beliefs, norms, habits, behaviour, and symbols of an organization. It is the tacit social order of an organization. An effective culture builds a strong, cohesive organization that is vision and mission-focused. Team members focus all their energies and abilities on what matters to the organisation (Needle, 2004). Culture is expressed in organizational values, norms, assumptions and beliefs and it guides goals, activities, projects and programs (Schein, 1984). According to Groysberge, Lee, Price and Cheng (2018), cultural norms stipulate what is expected within a group. When culture becomes properly aligned with personal values, drives and needs, it can generate great energy and enthusiasm for action among members toward a common purpose. That fosters the capacity to create sustained competitive advantage.

**Processes and practices**

When an organization has superior methods of producing results, these could lead to the creation of competitive advantage. These processes and practices must not be easily replicated by competitors. Equally important is the presence of tacit knowledge that produces these superior processes and practices.

**Intellectual Property**

Intellectual Laws provide another source of competitive advantage to the innovator or inventor. The innovating organization is protected against patent and copyright infringements, product counterfeiting, unauthorized use of a trademark on a substantially non-similar product and parallel sales or grey markets.

**Capital and Resource Endowments**

In several decades gone by, capital and access to unique or abundant resource endowments were considered as key sources of competitive advantage. However, these resources can be accessed by firms as long as they have the financial muscle to purchase them. This in effect erodes competitive advantage in the long run for those organizations which previously held those resources.

**Technological competence**

Superior technology properly leveraged can drive creation of competitive advantage in a significant
way. In the 21st Century, information technology and biotechnology have become drivers of superior organizational performance and organizations leveraging on it have become the pacesetters.

**DISCUSSIONS**

Respondents from the two focus discussion groups tended to agree with the argument that strategy making is both a science and an art. Strategy process follows a set of rules and procedures that are anchored on theories and models. Empirical data to a very large extent informs strategy formulation. This process makes it a science. On the other hand, people and people skills are needed to successfully implement strategies. The people side of things makes strategizing an art. They further argued that a manager’s background in training influences whether strategy will be viewed as an art or science. A manager who is highly quantitative in training will view planning as a rational and linear process; whereas, a manager with a blend of both qualitative and quantitative analyses will balance between rational analysis and intuitive strategizing.

Discussions with managers revealed that the position of a manager or an executive in the organization, skills and experience determine how he or she conceptualises and runs the whole process of strategic planning. Senior managers believe that their role involves crafting the mission, vision, values, strategic goals and providing direction of the enterprise. They also determine the strategies that are likely to create superior performance. The notions of strategies being either deliberate or emergent as postulated by Mintzberg and Waters (1985) and team effort to synchronize strategy by (Nichol, 1992) go against the thinking of many senior managers. To them, deliberate and bureaucratic practices in strategy work well for their organizations. This explains why many organizations lose creativity and innovation which form a critical building block of superior organizational performance. Top management must come to the realisation that creation of superior performance is not a preserve of top management. The inputs for innovative strategies need to come from middle-level and lower-level managers and supervisors. Public sector institutions are by nature very bureaucratic. Lower-level managers are seldom given a chance to contribute to strategy, which boils down to the philosophy held by the top managers. It is argued that street-level or frontline managers understand the needs of customers better than senior and top-level managers. Their knowledge of the market environment makes a strong argument for them to be included in the strategizing process. These managers are the first line of contacts with customers and clients and to a large extent, they exercise extensive discretionary power when implementing public policies and organizational strategies (Lipsky, 1980; 2010). It is, however, important to observe that managers at this level saw the need to have their roles cutting across strategy formulation to strategy implementation.

On strategic consistency and flexibility, focus group members seemed to have had a consensus that due to rapidly changing customers’ and citizens’ needs and preferences, coupled by changes in the global environment, governments should be sensitive and flexible to environmental changes. This view has also been widely supported by empirical literature that acknowledges that strategies generate sustainable competitive advantage when a match between strategies and environmental conditions exists. Without an organization being flexible, it will be difficult for it to respond to environmental changes. (Parnell, 1997; 2005). Perspectives of middle and lower-level management seemed to agree with Mintzberg and Waters (1985) notion of deliberate and emergent strategies.

**CONCLUSION**

Strategy is generally considered vital to a firm’s competitiveness and to effective and efficient public service delivery and successful leadership. Philosophical perspectives associated with strategy creation are discussed in this study. Specifically, top-, middle-, and lower-level management (street-bureaucrats) tend to view the strategy-making process in different ways.

The results of this research suggest that a manager’s strategic philosophy may be a major indicator of an organisation’s ability to create superior performance. The position a manager occupies in
the organization, skills and experience determine how he/she conceptualises the whole process of strategic planning, which in turn determines the level of competitiveness the manager will help the organization create. Traditional approaches to planning in the public institutions could be a key challenge to promoting innovation and creativity. Equally important is the role of organizational culture in strategic management practice.

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