

GETTING TO KNOW ON MANAGEMENT

Ana Paula Morgado Carneiro, Pablo Garcia

Universidad Nacional de Misiones

Facultad de Ciencias Económicas

Campus Universitario – Ruta 12 Km 7 ½. C.P.3304.

Miguel Lanús. Misiones. Argentina

E-mail: anacarneiro@gmail.com

E-mail: pabloseba77@hotmail.com.

ABSTRACT

This article has as its objective to present the readings that served as theoretic base to back up the importance of management and of strategic planning as instrument for innovation. We will discuss the necessity to plan, the great precursors in the management of enterprises, the emergence and the challenges of the planning strategy.

KEY WORDS: strategic planning, Innovation, enterprises management.

INTRODUCTION

Strategic planning is an important management technique that aids to put in order the ideas of people. Almeida (2001, p.13) it highlights that one needs “to know how to direct the efforts for that which gives results.”

For many years the managers have fought for the matters and problems that the agents confront today. To face the challenges and barriers of the modern world, man always invented ways of improving to use his efforts.

The organizations are living in a turbulent environment and constant mutation, so they need this way to modify the tentative of error and success for a planned form of management, to conduct

and to face reality with the purpose of getting better results in its actions.

The current world is made up of organizations, for that reason Chiavenato (2000b) praises that among so many management functions, there is the need of planning for the activities of production of goods and services.

The plans of the enterprise for its business allows the projection of invoicing and of lucre, but “if there was a hiatus of strategic planning among the desired future sales and those projected, the high management would have to develop or to acquire new businesses to fill it up” Kotler (1998, p.84).

The leaders, according to Chiavenato’s vision (2000a. p. 147), “when tracking the environmental threats and the available opportunities for the enterprise and when developing strategies to face these environmental elements (...) they need a horizon of long term projected time, of global approach.” It should wrap up the organization as a whole, integrated by resources, capacities and potentialities besides the use of decisions based on judgment.

According to Graeml (2000, p.141) strategic planning does not guarantee success, but the increases the probability of occurrence of favorable facts, maximizing the return of the investment and minimizing the seriousness and the chances of occurrence of unfavorable facts, which justifies its use. On the other hand, strategic planning is completely dispensable if it is based on inconsistent information.

The necessity of planning is clear when Porter (1986, p.9) affirms that “the enterprises can never stop learning on the sector in which they act, their rivals or forms of improving or to modify their competitive position”.

1.1 - The Great Precursors

In the XX century scientific management arose from the ideas of great entrepreneur thinkers as TAYLOR, FAYOL, FORD, WEBER AND MAYO. All of them discussed matters that influenced directly on planning as tools for employment in the search for better results in the organizations.

Taylor (1986) refers to the planning of service that should be prepared in the planning section through “written instructions, meticulous, with respect of the best process of doing the task (...) these instructions represent the work agreed on by several men on planning, each one with a special specialty” (p.114) in a paper written in 1911, The Principles of Scientific Management. They

are well-known basic ideas known as the classic expressions: the systematic laziness and their differential system of wages; study of time and movement; the selection of personnel; the preparation of the work. The main emphasis was in the analysis and in the division of the labor workers and in the tasks, through specialization and of the regrouping of movements, operations, tasks and posts.

Chiavenato (2000b) says that the North American engineer Frederick Winslow Taylor (1856-1915), went through an ascending scale of positions, until becoming the head of the workshops of a North American industry when being formed in an engineering course. He highlights that later he moved away from that industry to become a consultant engineer, in the application of their management methods. It highlights that Taylor's work translated into Portuguese under the name of "Principles of Scientific Management" is a revolutionary manifesto on the redesigning of the work processes, visualizing spectacular increases in productivity.

It highlights that this theory followed a generalizing route for the whole of the organization. Taylor is considered the idealizer of scientific management; developing the School of Scientific Management, preoccupied in increasing the efficiency of the industry by means of rationalizing laborers' work.

Fayol (1981) classifies the essential functions of the enterprise as: technique. Business, financial, insurance, accounting and management. It highlights that the management function requires greater care, where its rhythm should be assured by the direction of the enterprise; which means: foresee, organize, command, coordinate and control. He reflects thoroughly on how an enterprise should foresee and adopted that "to foresee is to examine the future and to outline the action program" (p.26) in a paper written in 1916. *Management Industrielle et Générale*. It applied the principles of: division of work, authority and responsibility, discipline, command, direction unit, subordination of the interest peculiar to the general interest, personnel's remuneration, centralization, hierarchy, order, justness, personnel's stability, initiative and personnel's union.

Chiavenato (2000b) describes that the naturalized French engineer, Henri Fayol (1841-1925) was preoccupied in increasing the efficiency of the industry by means of the form and disposition of the component organs of the organization and their structural interrelations. He points out that in Fayol's work translated into Portuguese under the name of "Industrial and General Management",

the functional area of management is in the center of the organization. It admits that the attention prevailed for the organizational structure, with the management elements and with the general management principles. The emphasis in the structure is its main characteristic. It highlights that their studies set off from above, downwards, and from the whole to the component parts of the organization. Fayol founded the School of Anatomy and Physiology of the Organization or Classic Theory, characterized by the emphasis in the structure that the organization should possess to be efficient.

The American Henry Ford (1863-1947), according to Chiavenato (2000b), inspired by Taylor, had formidable progresses: in 1908, the year he launched the model T Ford, the assembly of the car took twelve hours twenty minutes in the following decade; it took one hour twenty minutes, becoming a cheap product of mass and selling 15 million units.

Ford adopted three basic principles that are current even today: intensification, profitability and productivity. He used a system of vertical concentration when taking place from the raw material until the final product and also a system of horizontal concentration from a chain of commercial distribution through own agencies. He instituted the minimum wage for the workers and determined an eight hours working day. He searched for the improvement of the methods and work processes.

El German sociologist Max Weber (1864-1920), mentioned by Chiavenato (2000b), describes the characteristics of the bureaucratic model of organization that takes root in the organizational public and private media. Bureaucracy has as advantages: rationality with relationship to the objectives of the organization; precision in the definition of the position and in the operation; speed in the decisions; univoicity of guaranteed interpretation for the specific and written regulation; uniformity of routines and procedures; continuity of the organization through the personnel's substitution which is separated; reduction of clashes among people, because each one knows what is demanded of him; perseverance; dependability; benefits for people. Bureaucracy presents many dysfunctions: internalization of the rules and fulfillment of regulations; excess of formalism and paper work; resistance to changes; depersonalization of the relationship; categorization as base of the decisive process; super conformity to routines and procedures; exhibition of the authority signs; difficulty in the service to clients and conflicts with the public.

Weber's ideas originated the Bureaucracy Theory.

Australian psychologist Elton Mayo (1880-1949), described by Chiavenato (2000b), professor in Harvard, carried out in the ateliers Hawthorne Western Electric of Chicago, a series of scientific experiences undertaken between 1927-1932 that led to the following conclusions: the production level is resulting from the social integration; reward and social sanctions; social man's concept; informal groups; human relationships; relative importance of the content of the post; emphasis in the emotional aspects. They were topics of their studies: the basic human necessities (physiologic, psychological and of self-realization), the leadership and the communication process.

Mayo participated in the current of human relationships, which appeared in the United States, as reaction to the mechanism that reigned in the enterprises. It was the great need to humanize and democratize management and to do away with the application of rigorous methods applied the workers. Mayo was one of the idealists of the Human Relationships Theory, preoccupied about people and the social groups.

2.0 - Emergence and Evolution of Strategic Planning

The strategic planning study had its beginning in the mid of last century, for the necessity of the enterprises of knowing how to decide and where to operate in the future. Strategic planning evolved with the passing of time as in form as in conception; it included projections of inclinations, resulting in long term planning; later on there arose strategic planning to foresee the future and even to win amplitude, depth and complexity.

En these 50 years of application by the organizations, Strategic Planning has evolved according to the rhythm and the degree of complexity.

In the 50s, the main topic was Budget Planning and Financial Control through operations such as evaluations of projects, planning of investments and financial budget. Financial management was the key element in the corporate functions. In this period, some authors like Scznick (1957) saw strategy as a planned perspective and the organization as source of forces and cowardice. Schumpeter (1950), Pegue (1959) had the idea that strategy was somewhat visionary, with the presence of an entrepreneur leader, Simon (1947-1957-1958) and March (1958) idealized the strategy like a structural map, in an outline concept, with intellectual perspective.

In the mid 50s, there arose concepts of groups from the Harvard Business School, which defended the necessity of a global strategy to discipline some sectors around corporate objectives.

Ansoff, Declerck and Hayes (1990) relate that at the beginning of the 50s, strategic planning arose with the purpose of treating the techno-economy problem between offer and demands, when first the enterprises and later on other types of organizations, began to worry about the environment; it arises as a rational method of analysis of the environmental opportunities, of the strong and weak points of the enterprises and of the best strategy to take advantage of them. They seem to believe that the idea that strategic planning was rigid stagnated and detached of its implementation, seeming like an isolated box within the enterprise itself.

In agreement with Tavares (2000, p.43), "the evolution of planning began with the spread of contribution of theoretical and practical of management in its interaction with the practice, systematized in four moments: financial planning, long term planning, strategic planning and strategic management."

Financial planning had its beginning in the last decade of the 50s in the United States; represented by the budget, based in estimative of derived expenses of the revenues forecast.

In the 60s long term planning arises, based on the belief that you can reach better results for the future, through an intervention in the present.

Strategic planning arose in mid 60s as the best way to settle down and to implement the strategy that would increase the competitiveness of each business unit. Strategic planning is not a strategic thought. Strategic planning in fact has been practiced as "Strategic Programming", the articulation and elaboration of strategies, or visions that already exist.

At this time, there is the development of the departments of corporate planning, growth of the conglomerates, diffusion of the multinational organizations. Ansoff (1965) formalizes and programs the budgets, and several scenarios and planning of actions are created, broken down into sub strategies and programs. The main role within the organization belongs to the Planners.

At the end of the 60s, Rhennam and Normann create within the organizations a collective perspective with values, beliefs, myths, culture, ideology and symbolism. Chandler (1962), Mintzberg, Miles and Snow (1978) configure a strategic idea based on the context. In 1959, Lindbrom, Cybert and March (1963), Weick (1969), Quinn (1980), Prahalad and Hamel (1990),

carry out the peripheral litigation between the learning theory and education, the Theory of Chaos arises in Mathematics, the message sought, is to learn.

In the 70s strategic planning arises, characterized by simplistic formulas and not always easy to use. More recently strategic management arose with the sense of overcoming one of the main problems presented by strategic planning that according to the author, is its implantation.

According to Bateman and Snell (1998, p.125) "from the 60s until the 80s strategic planning emphasized an approach from top to bottom, for the establishment of objectives and planning." The executives developed plans and objectives for the whole organization and they reviewed them for the tactical and operational administrators, and these, also, had many limitations as for the specific procedures concerning the preparation of budgets for the respective units. Already in the 90s, the authors mention that the main executives are including more and more the managers of the whole organization in the planning process. The changes force the executives to look at all the levels of the organization in search of ideas and innovations that can make them more competitive. The tactical and operational managers then have autonomy in some cases.

Ansoff and McDonnell (1993) ratify that in the long term planning, it is believed that the future can be foreseen starting off from the extrapolation of the last growth; in strategic planning, the same thing is not expected but an analysis of the perspectives of the enterprise is made, identifying inclinations, threats, opportunities, and singular discontinuities, that can alter the historical tendencies. The growing turbulence of the environment has made the enterprises to invent more complex and more refined systems. "Strategic diagnosis is a systematic focus for the determination of the changes that are necessary to be carried out in the strategy and in the internal potentialities of the enterprise, to guarantee success in its future environment" (p.55).

Management for Objectives, according to Chiavenato (2000b) arose in 1954 when Peter Drucker published the book "The practice of management" at the moment in which North American private enterprise suffered great pressures. Through that participative technique of planning and evaluation, the upper echelons and the subordinates, jointly define high-priority aspects, they establish objectives to be reached in a certain period of time and in quantitative terms, through the dimensioning of goals, focusing on the results.

The characteristics are:

- Combined establishment of objectives between the executive and their superior;
- Establishment of objectives for each department or position; interconnection among the several departmental objectives;
- Emphasis in the measuring and control of the results; continuous evaluation, revision and recycling of the plans;
- Active participation of the managements; intensive backing of the staff.

GRACIOSO (1996, p.16) attributes that “the genesis of strategic planning, at private enterprise level, can be placed in the years that followed the Second World War.” He clarifies that some North American enterprises created systems of formalized annual budgets that became multi-year projections, originating the five-year plan that did not go further than static financial projections.

In the 70s, the enterprise management consultancy, Boston Consulting Group, suggested instruments of strategic evaluation, having as starting off point the **BCG** matrix, which gave origin to several complementary techniques as, for example, the experience curve. And in its more current mission there arose the strategic planning that searched to correct shortcomings of the past.

The school of planning, according to Mintzberg, Ahlstrand and Lampel (2000, p.44), “originated at the same time as the design school”, in the 50s, of last century; their more influential book was Corporate Strategy, by H. Igor Ansoff, published in 1965.

Also, in the 70s, of the same century, “there was the popularization of thousands of items in academic publications and in the business press that exalted the virtues of the formal strategic planning.” The design school, that served as base for the school of planning, had its origin in “two influential books written in California University (Berkeley) and in the MIT: “Leadership in Management”, by Philip Selznick, in 1957, and “Strategy and Structure”, by Alfred D. Chandler, in 1962” (p.28).

Many answers to the new environmental challenges were given through trial and error, giving

birth to “a body of approaches for management problems: analysis of financial indexes, management for objectives, capital budgets, planning for lucre, global planning, and strategic planning. PPBS [advanced version of the strategic planning system], analysis of programs, differentiated analysis”, (ANSOFF, DECLERCK AND HAYES. 1990, p.50).

Ansoff and McDonnell (1993. p.15) describe that “the first step in the evolution of strategic management was towards the end of the 50s, when the enterprises invented a systematic approach to decide where and how they would operate in the future”; in that decade “long term planning was the answer of the enterprise to the pressures of quick growth, size and complexity” (p.294).

The authors explain that “the analytic part of that approach received the name of strategies formulation, and the process by which the managers, jointly, formulate strategies has been called strategic planning” (p.15-6). That “strategic planning which was invented in the 60s, less than ten years after long term planning” (p.294).

In the 70s, corporate Strategy arises, with its main focus on Portfolio Planning. Strategic business units are created, as units of the portfolio matrixes. The Analysis of the Curve of Experience is carried out and return of the market quota. At this point, there is an integration of the financial and strategic control, strategic planning becomes a dialogue between the corporation and its divisions.

Schendel, Cooper, Hatten in 1970 and Porter in the 80s, analyze and organize strategic groups in search of a competitive analysis and a more analytic strategic positioning, and the organization becomes source of Competitive Advantage.

At the end of the 70s and beginning of the 80s, the analysis of industry and of competition produces a segmentation of the markets and a positioning among them. There is an indifference of the not very attractive business units and the management of the value chain. With Hannan and Freeman (1977) the Contingency Theory arises.

In that evolutionary process, “the second step was taken in the 70s, when it was discovered that the internal configuration of the enterprise needed to transform itself, that whenever the enterprise promotes a discontinuous alteration of its strategy” (p.16); that the process of determination of the potentiality to back up the new strategy planning of potentialities, was called

on.

The third step was given at the end of the last decade of the 70's in "answer to the frequency every time greater of environmental discontinuities of unforeseeable consequences, particularly in sociopolitical and technological terms."

"To fight with those discontinuities, the enterprises began to use an answer technique in real calling time, called management matters" (p.16). The fourth and more recent step "resulted from the organizational resistance faced by the first efforts approving to implant the strategic planning of the enterprise" (p.16). And they complement that the recommendation to overcome the resistance was to achieve the support of the upper management, even although it were not enough.

In the following decade, the 80s, it is the management of discontinuous changes that takes into account the psychological, sociological, political and systemic characteristics of complex organizations. In that way, strategic management is a systematic approach for the management of strategic changes includes "the positioning of the enterprise through the strategy and of the planning of potentialities; strategic answer in real time through the management of matters; the systematic management of the resistance during the implementation of the strategy" (p.16).

At the end of the 80s and beginning of the 90s, the matter of the competitive advantage is strong within the organizations; it is a dynamic aspect of the strategy. At this time, the analysis of the resources of the competitions and organizational capacities are essential to achieve advantages of moving first. The corporate Restructuring and reengineering of the business process are points analyzed in the strategy of the enterprise, as well as the construction of new capacities through strategic alliances, the management of human resources and the new organizational structures.

At the end of the 90s and the beginning of 2000, the central topic is the strategic innovation and the "new economy." The competitive advantage arises by means of the strategic innovation, with adaptation of the knowledge of what is new, the change for the digital era and the network economy. The organizational flexibility and the necessity of quick answers are one of the crucial factors for the competitiveness in this era. Among its concepts, we have: knowledge Management and an organization that learns, competition for flexible advantage models, virtual organization, and the enterprise based on knowledge and the alliances and networks.

According to Certo and Peter (1993) the summary of a research called Gordon-Howell sponsored by the Ford Foundation and by the Carnegie Corporation, in the 50s of the last century, suggested that the teaching of business should include a training course in an area called business policy. Thus, "it would emphasize the development of knowledge in the identification, analysis and solution of the problems of the real world in business areas" (p.5) and this would favor the students in the capacity to exercise judgment.

Thru time the course went on to consider the global organization and its environment, besides considering the matter of interest "the social and ethical responsibility, as well as the potential impact of the political, legislative and economic factors on the success in the operation of an organization" (p.5). Based in that emphasis given more recently in the 70s, the name of business policy course changed into strategic management. For Wright, Kroll and Parnell (2000, p.28), "the initial push of the political discipline of business was to integrate the functional areas within the enterprise in a way that it could reach a consistent management", and in that way to capitalize its strong points and to reduce its weak points, in relation to the opportunities and threats presented by the external environment. The parameters of that master discipline thus included more formal analysis of the macro ambient of the enterprise, sectoral environment, mission, general objectives, and formulation of strategies and of their implementation when the objective of that discipline became referred to as strategic management.

According to Silva (2001. p.41) "the evolution of strategic planning takes place in function of the speed of the changes which take place in managerial environment. But, that evolutionary process contrary to discarding the antecedent, focuses, assimilates its more valuable elements and condescends with the changes".

3.0 - Strategic Planning Challenges

As from 1950 the environmental changes became intensified more quickly and in a continuous way, forcing the organizations to identify better the roads to be travelled, for that reason, strategic planning arises as a tool of more and more accented power to trace the objectives to be reached by the organizations.

The necessity of a commitment at social level as for the determination of how the enterprise

should be directed and the role it should play in the postindustrial society, because “from the 1950s, the challenges were becoming more and more simultaneous: the necessity to reactivate the entrepreneur spirit, give an answer to the growing intensity of competitiveness at world level” is highlighted by Ansoff and McDonnell (1993, p.32).

One can observe that “another distinctive characteristic of the Twentieth Century, has been the acceleration as much in the incidence as in the broadcasting of change. The change has become less foregone and the surprises became more frequent” (p.34). Those authors admit that the management system used by an enterprise “is a crucial ingredient from their capacity to answer to the changes in the external environment, because it determines the way in which the management perceives the challenges. Mintzberg (2001c) highlights that there does not exist “the best road” to administer the strategy, neither there exists “the best road” for the organization: very different forms, function in particular contexts.

Los contexts articulate the several elements contained in the development of the strategy: the strategist, the process, the structure, the systems, the culture and the power, characterizing the particular situation within which certain decisions are taken and the results achieved.

The contexts analyzed by Mintzberg (MINTZBERG. 2001c) are:

- Entrepreneur: a leader personally assumes a highly dynamic situation, like in a new enterprise or in a small initiative in a growing market, or in a large organization going through a crisis.
- Innovative: specialists' groups and experts act in a dynamic environment in complex and innovative projects;
- Professional: specialists' groups and experts act in a stable environment, where there are standardized procedures, even high complexity ones, such as hospitals, universities, consultancy enterprises, legal profession offices;
- Mature: Rather formal structures, they act in situations of stability and with emphasis in mass operation, using strategy formation processes with emphasis in formal planning, as in the so called mechanical organizations, as the national mail services, car assembling and even with insurance companies;
- Diversified: different business units, potentially self-sufficient, they diversify their product

strategies / market, under the same enterprise arch.

4.0 - CONCLUSIONS – Entrepreneur and Enterprise

Even although he is not an author of strategy literature, we include in this chapter Schumpeter's (1961) reflections on the entrepreneur and the enterprise; he gives us elements to understand the process of creation of a new business and the importance of the entrepreneur in the taking of strategic decisions.

El author remembers that "the new opportunities are constantly offered by the environment, especially; new ways are added continually to the provisions of existent knowledge" (SCHUMPETER. 1961). He considers the creation of something new (the enterprise of new compositions) a special function for the entrepreneurs, a special type whose behavior is the force behind a great number of important phenomena (SCHUMPETER. 1961). He opposes two behavior types: managers and entrepreneurs (SCHUMPETER. 1961). Of the manager, he says that in the daily routine, there is not a necessity of leadership, although, after determining the personal tasks, to maintain the discipline is a function that any normal person can do, (SCHUMPETER, 1961). On the entrepreneur, he says that each step outside of the limits of the routine presents difficulties and implies a new element that constitutes the phenomenon of the leadership (SCHUMPETER. 1961).

When he considers the nature from the inherent difficulties, to the creation of an innovative initiative, presented by Schumpeter, we can perceive the likeness with that of Mintzberg, in sections previous to this chapter, he argues on the uncertainties and the intrinsic unpredictivness, to the process of formation of the strategy.

When describing the entrepreneur's challenges, when giving those "steps outside the routine", (SCHUMPETER. 1961) describes the present elements in the process of facing uncertainty, inherent to the new and the unknown. Well, outside of the habitual steps, the individual is left without the data to decide and without the behavior norms that, generally, he knows very minutely in his environment. Certainly, it should still foresee and evaluate on the basis of experience, but, the uncertainty of many things remains, others are only verifiable to a certain extent; maybe some can be "surmised."

This is valid, mainly, for the data that the individual makes an effort to alter and for those that

it seeks to implant. What has already been executed has a deeply distinctive reality of all that we have already seen and experienced, novelty is merely a fiction. By analogy “to undertake a new plan and to act in agreement with the habitual thing are two things so different as to build a highway and to travel along it” (SCHUMPETER, 1961).

And he continues, (in syntony with Mintzberg’s vision as for the emergent process of strategy formation and of the inherent limitations of the process of formal planning), highlighting the “impossibility of researching all the effects and counter effects thoroughly, of the projected enterprise.” And mentioning, explicitly that “just like military action” it needs to be undertaken in a certain strategic position, even when all the possible search reports, are not at hand, likewise in the economy life, the action must be carried out without elaborating all the minute things of what has to be done, (SCHUMPETER, 1961).

On the resistance of each one when facing something new, he reminds that “the thought always returns and always to its habitual tumbling, although this has become inadequate and more convenient innovations do not present, in themselves, any specific difficulty” (SCHUMPETER, 1961). And, then, it reflects on the importance of the sense of the entrepreneur’s personal mission, because “within the intimacy of whom wishes to carry out a new initiative, the forces of habit arise and give testimony contrary to the embryonic project, another species of willpower is therefore necessary to start up, between daily tasks and the concern of daily profit, objective and time to conceive and to execute the new combination and to be convinced of considering it as a real possibility and not only as a fleeting dream.” Concluding that, “that mental freedom presupposes a great domain facing the every day solicitations, and by nature it constitutes a peculiar and strange element” (SCHUMPETER, 1961).

Finally, the author considers the reactions of the environment to the change agent: “the reaction of the social environment against he who yearns to carry out a new thing, can show” in several ways: in the existence of legal or political impediments; in the groups threatened by innovation; in the difficulty of finding the necessary collaboration; and. Finally, in the difficulty of winning new consumers (SCHUMPETER. 1961).

7.0. BIBLIOGRAPHY.

Please refer to articles Spanish bibliography.