Crafting Strategy Through a Purpose-Oriented Approach

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1. Abstract

Recent business environments require quicker and more adequate decision-making by firms than ever before. Because the environmental changes are extremely large, the decision-makers may confront difficulties in predicting their futures by following previous cases. A purpose expansion method which originated from Work Design helps to create strategic alternatives that are not based on previous experiences. The concept of a strategy based on a purpose-oriented approach provides original strategic alternatives. However, new attempts furnished with entirely new perspectives sometimes end up collapsing when the scheme is diversified. Generally, when decision-makers try to craft a strategy, they encounter four main factors. This method focuses on balancing goals and actions in the process of implementing strategies by considering the factors as well as triggers that emerge in an organization. The main process of the proposed method is to design the triggers that indirectly achieve the organizational goal.

2. Introduction

A traditional oriental thought says: “O Sariputra, phenomena are not different from the Void, and the Void is not different from the phenomena. Phenomena become Void and the Void becomes the phenomena. (Form is Void and Void is Form), and the five aggregates (sensation, perception, thought, activity, conscience) are themselves phenomena. O Sariputa, every existence has this characteristic of the Void.” [1]
These words shed light on the basic idea of corporate strategy. This means that a corporation as a phenomenon exists as a corporation itself and does not fundamentally change. But the corporation surely achieves different results depending on its relationships with the outside phenomena. Even if a corporation cannot profoundly change, it can alter its relationships in order to be perceived preferably from the outside; that results in being profitable, for example. The question is how to establish a favorable relationship with others. The only means to achieve this in the way that the corporation intends is to be an organizationally active to do something. It is obvious that this state of active takes various forms depending on its purpose. The purpose of an organization and more specifically its determined organizational goals are the key element of this proposed strategy.

This method which leads the organization into being active focuses on four main factors as well as the triggers that emerge in an organization. The main process of the proposed method is to design the triggers that indirectly achieve the organizational goal. These four factors involve: organizational resources, environmental constraints, an inertia or organizational experience, and time. The main point of this method is to balance the goals and actions in the process of implementing strategy by considering these four factors [2].

The corporate strategy represented here in its general form encompasses various levels of strategy and is applicable to any type of organization. This method focuses on the processes of setting the strategic goal as well as the means to accomplish them in these complex and dynamic environments.

3. Strategy Overview

Because the concept of strategy is generally abstract, there exist many perspectives with respect to its formation and implementation. In fact, scholars and practitioners comment on the diverse aspects of strategy, such as, “there is no single, universally accepted definition of corporate strategy” by Mintzberg and Quinn [3].

The history of business strategy is divided into two main conceptual stages [4]. The first stage emerged in the 1960s in what would later be categorized as prescriptive corporate strategy. The fundamental thought of the strategy was to coordinate a corporation's internal capabilities and its external situation in order to strengthen the corporation. This type of
strategy focused on the importance of planning and the concept helped attract the attention of business executives by the general growth in the world economy at that time.

After successful completion of business diversification under the prescriptive strategy, many corporations began to pay more attention to effective resource allocations among each diversified business unit. Product Portfolio Management (PPM), for example, was highlighted as one of the most popular methods in the strategy related practices. As a result, the concept of SBU (strategic business unit) emerged which began to emphasize the competition among business units within a corporation, as well as competitions among corporations as a whole. It was the advent of competitiveness and this rapidly spread amongst business practitioners soon after.

In the 1980s, the second stage of concept emerged with the emphasis on some critical assumptions over the prescriptive approach. These assumptions included the premise that the future cannot be accurately predicted and that the strategy is developed as the process proceeds. This type of concept is now categorized as the emergent strategy. People involved in this category mainly emphasized finding the essential resources and determining how to build them up in order to pursue the organizational goal. However, as many corporations experienced, methods based on this concept were not ideal.

Nowadays, several schools of thought on strategy have been reported. Mintzberg, et al., for example, introduced ten different schools of thought [5]. The method proposed in this paper contains the aforementioned two types of concepts at the same time. Also, it satisfies the following five strategic elements which Lynch suggests in his Corporate Strategy: to be sustainable, to be distinctive, to offer a competitive advantage, to exploit linkages between the organization and its environment, and to have vision [4].

4. Outline of the purpose-oriented method

The basic idea of this proposed method is to find a way to turn out an organization in order to influence others. The most important theme to specify in order to determine the active state is the organizational purpose. For deciding the specific purpose, the purpose expansion process is employed. This whole method was basically developed for corporate strategy, but applicable to any strategy related discipline such as production planning. This
paper demonstrates a limited case study about this method along with inventories of final products as an example.

4.1 Purpose expansion

The purpose expansion process has the power to create a new logic to reach the final goal. This process is especially beneficial to a strategy involving logic creation because the way it reaches the goal generally tends to be unstable and unclear. The procedure of purpose expansion begins by defining an initial purpose as its functional operation. The next step is to develop the purpose in terms of the previously determined functional operation and to represent its solution as a next functional operation. The procedure repeats itself until it reaches the final organizational goal. The complete finalized set of functional operations generate sufficient energy to activate the organization. The process as a set of operations has been developed by considering the creation of the energy which are called “triggers” in this method. This logic creation process of purpose expansion is shown in Figure-1.

![Figure-1 Purpose expansion process](image)

Where P(n) denotes the number n purpose, the white arrow towards the right side in the figure is the stream of purpose. The black arrow heading toward the other side represents the functional operation or means corresponding to the purpose. The ellipsoids from smaller to larger represent the level of purpose.

By carefully selecting the purpose one by one, the process eventually reaches the organizational final goal, P(n). If it does not reach the specific goal, then the process must be repeated until the whole scheme is satisfied.

In the figure above, the fine arrows are the possible operations to try to achieve the final goal. But without any guideline, the direction to a solution will be diversified and unable to
come to the conclusion. Consider a decision tree, ideas spread from top to bottom. But as can be seen in Figure-2 below, the idea integrates when the stream of ideas goes upward.

![Figure-2 The integration of ideas in a decision tree](image)

4.2 Some premises and technical considerations

The method is based on some premises and considerations as follows:

(1) Trigger

Even partial organizational improvements are limited in how they impact the whole organization; however, they work well when they contain a reasonably effective 'trick'. The effect of the trick should be sufficiently strong to achieve the goal by influencing the whole organization over time. This trick or a stimulus is called a trigger as mentioned before.

It is commonly observed that even in almost identical types of organizations and configurations of influential factors, the results can be satisfied in one case and not in others. The answer is that, in the successful case, this happens because a part of the organization favorably receives a stimulus from the partial improvement towards the positive result. The partly astir organization eventually transmits this stimulus to the whole. In the unsuccessful case, this does not occur. One simple example of the trigger is a reward system that gives employees an incentive to work harder. The incentive may result in a favorable organizational goal such as a revenue increase. But notice that the reward itself is not a trigger; the true trigger is the incentive that drives employee to sell more of the company's products or services.

(2) Inertia

This method places an emphasis on an operational continuation prevailing in an organization. That is, each organization contains a kind of tradition or particular workplace condition that works as a form of energy. In this paper it is called an inertia and influences the organizational goal along with the aforementioned other three factors over a long period of
(3) strategy system

The strategy system is a set of system that consists of inputs, an output and catalysts. Where the input represents a given state as a condition to be transferred, the output is a desired state as a transferred condition, and the catalyst is a set of actions to alter the condition.

Crafting strategy is defined as designing the strategic system in order to alter inputs to an output considering the conditions caused by four factors, resource capability, environmental forces, inertia as a condition in the organization and time as a length of operation. The whole picture of the strategy system is depicted as follows:

Consider an example of a juice vending machine as shown Figure-4.

Figure-4  An example of strategy system

A sold juice can is certainly the output but a coin thrown in the machine is not the input. It is apparent that there are differences in the properties of a coin and a juice can. The coin is a
trigger to generate the goal, and the input is a juice can which is set up to come out of the vending machine. The coin is not necessarily the only trigger; another form of a switch may also be a trigger. The purpose of installing the vending machine and other conditions determine the most effective and efficient manner to construct the whole system.

Another example shows the trigger more specifically. In the above example, the trigger is designed as a part of the system element but it is normally produced while conducting the operation in the organization. In the next example, a juice cooling system that is cooled by dry ice. In this case, the input is juice, and the output is a cup of iced juice. The dry ice is employed as a functional operation that causes a trigger, but which can be replaced by some other forms. The decision of the specific action is the result of considering the whole process of the strategy system. The process are as follows:

1. confirmation of the purpose and its specific objective: cooling the juice.
2. checking the level of the goal: what temperature the output juice should be.
3. coordination between the goal and the solution:
   capability of keeping dry ice and other alternatives besides dry ice
4. evaluation of the whole system: effectiveness, efficiency, competitiveness, profitability.

In a typical example of the strategy system in a firm, its input is an inactive organization and its output is a sufficiently active organization that pursues a firm's goal.

5. **The whole process of the method**

   Under the above premises and conditions, the strategy making process is shown as follows:

1. An initial purpose is specified as the starting point and a specific goal as an output must be defined.
2. The initial purpose is a given condition that the organization possesses. The goal is derived from the organizational purpose that is equivalent to the organization's direction.
3. A level of the goal and a substantial solution to achieve the goal must be carefully checked in relation to various conditions such as the environment and the internal resources.
4. The solution comes from a set of operations that is designed by the purpose expansion process.
If the solution cannot effectively reach the goal by all means available, then the level of the goal might be too high. In that case, the level must be carefully changed with consideration of its original purpose and the process repeated. This particular process of checking between the goal and its possible solution is itself a strategy crafting process, because the process also requires a check on the other related conditions such as the aforementioned five elements of strategic decisions. The whole strategy process is shown in Figure-5.

![Strategy Process Diagram](image)

Figure-5  The whole strategy process

6. Example

This example deals with a conflict that may easily occur among different sections of organization in planning operations. The purpose expansion process shows a strategic settlement for a conflict due to different purposes that these sections possess, even though the final goals is the same.

In general, possible settlements among two parties include:

1. technical solution – developing a technique that satisfies both different initial purposes at the same time, for example, the Kanban system
2. hierarchy system – relying on an arbitration from an upper level opinion
(3) trade-off – utilizing a trade-off with satisfactions for both sides

(4) purpose expansion.

The example is the following conflict. The purpose expansion process solves it as follows: Section (A) desires to reduce inventories of final goods as much as possible. On the other hand, section (B) insists on holding sufficient amount of products in a warehouse. Since the policies for both sections are diagonally opposed, the initial inputs of each section are: small amount of inventories for section (a), and sufficient amount of inventories for section (B). However, when we apply the purpose expansion to both inputs, we will find identical purposes in a set of logic.

<table>
<thead>
<tr>
<th>Section (A)</th>
<th>Section (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pa(1): Reduction of inventory</td>
<td>Pb(1): Hold of many inventory</td>
</tr>
<tr>
<td>↓ purpose</td>
<td>↓ purpose</td>
</tr>
<tr>
<td>Pa(2): Not hold old inventory</td>
<td>Pb(2): Better customer satisfaction</td>
</tr>
<tr>
<td>↓ purpose</td>
<td>↓ purpose</td>
</tr>
<tr>
<td>Pa(3): Supply newly produced products</td>
<td>Pb(3): Quick supply to customers</td>
</tr>
<tr>
<td>↓ purpose</td>
<td>↓ purpose</td>
</tr>
<tr>
<td>Pa(4): Use the new products</td>
<td>Pb(4): Use necessary products on demand</td>
</tr>
<tr>
<td>↓ purpose</td>
<td>↓ purpose</td>
</tr>
<tr>
<td>Pa(5): Flexible use for any circumstances</td>
<td>Pb(5): Suitable use for any circumstances</td>
</tr>
<tr>
<td>↓ purpose</td>
<td>↓ purpose</td>
</tr>
<tr>
<td>Pa(6): Use necessary products on demand</td>
<td>Pb(6): Happiness for customers</td>
</tr>
<tr>
<td>↓ purpose</td>
<td>↓ purpose</td>
</tr>
<tr>
<td>Pa(7): Suitable use for any circumstances</td>
<td></td>
</tr>
<tr>
<td>↓ purpose</td>
<td></td>
</tr>
<tr>
<td>Pa(8): Happiness for customers</td>
<td></td>
</tr>
</tbody>
</table>

Notice that Pa(6)～Pa(8) and Pb(4)～Pb(6) are the exactly the same. This implies that the conflict can be settled by further efforts. In this case of conflict, one part of the strategic
system can be depicted as follows:

- Input: inventories without any policy
- Output: inventories to be served on demand
- Catalyst: any operational policy
- Trigger: any technique which accomplishes the output

Also notice that the four factors regarding the catalyst should be carefully considered in order to bring the input to the output correctly. Since the specific solution for this case is out of the scope of this example, we will not pursue it in this paper.

7. Conclusions

Originally this method has been developed to cope with crafting an effective and efficient corporate strategy. This method is especially effective when the environmental change is so large that corporations cannot easily afford to apply their previous successful experiences. Because the method employs the purpose expansion process, it is possible to construct a set of logical operations in order to cope with the organizational final goal. In this paper we tried to apply the method to a rather specific small problem, i.e. establishing a logistic for solving a conflict happened in a planning stage.

The following concepts in the method are especially critical for its strategic emphasis.

1. A concrete and substantial criterion as a goal is to help capture the intangible as well as subtle situations.
2. This adequate goal setting and the pursuit to accomplish it enable the organization to be competitive.
3. The basic concept of the strategy system is a goal oriented logical system.

In addition, the following two technical matters are crucial:

(a) An input is an original material to be transformed into an output. The properties of both input and output are the same. (b) A trigger generates a stimulus to help the transformation from input to output.
References

[1] Proulx, “Makahannya Haramitta Shingyo”,
   The essence of Prajna-paramita Sutra Hannya Shingyo, Soto-shumucho


