

Business Strategy Model

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Abstract—There is a clear lack of capacity at the organizational decision making level to develop a decision-making process based upon a complete and clear understanding of multiple potential outcomes derived from different strategic variables and actions. Existing analysis and scenarios creation models, used at the academic and practitioners fields, do not provide a single output that can be interpreted and taken as the final and relevant information output to be used at the decision-making moment, and are not or cannot be dynamic, turning any tentative to create scenarios based upon them impossible. Their lack of capacity to connect distinctive and still related variables creates great difficulty to decision makers when evaluating multiple business variables and producing action decisions. Current existing business simulation and diagnosis models only consider a reduced number of factors or variables, most only two variables represented by 2x2 matrices, not linking to any of them multiple existing factors and variables related to the business environment, in order to deliver a final and single output, which could be used as the core indication for the decision-making process. That has led to an important question: How can information represented in multiple 2x2 matrices be reduced to a single representation? Or, in other words, can we interconnect two or more 2x2 matrices and create a new and last matrix that represents all variables in place? The proposed model in this paper is a tentative to provide a solution to that problem, having a unique and unmistakable meaning, eliminating confusion and potential errors at the decision-making moment. Therefore, the final decision in a business strategy definition is based upon a unique and last result, represented by a single and unique position on the last matrix of the model (strategy).

Index Terms— decision-making, dynamic models, innovation, strategy.

I. INTRODUCTION

Using visual models to represent reality in economic and business environments has been a constant for some authors (Ansoff 1965 [1], Porter 1985 [2], Tesmer 2002 [3], Lowy & Hood 2004 [4], Sarkar 2007 [5]), who had approached fields like business strategy and value creation. Their attempts have brought a better understanding to the market about how strategic planning and decision evolves, develops, disseminates and transforms the economy.

However, the conceptual format on many of those models makes their operational application difficult at the enterprises' level. Entrepreneurs and strategy and innovation managers and practitioners have been seeking, for a long time, for models that can, in a simple and clear fashion, indicate the most appropriate kind of decision to be developed and

applied in their businesses.

This paper intends to present a practical strategic model to top management and scholars, which will bring the decision point down to a simple and unique proposition, answering entrepreneurs and managers' doubts and validating the strategic reasons to use strategy as a mean to increase value creation.

II. RESEARCHING PRIOR PRACTICES

The concept of "strategy", from the military point of view to the business environment and management point of view has been deeply analysed and used (Chandler 1962 [6]; Steiner 1979 [7]; Queen 1980 [8]; Porter 1980 [9]; Mewes 1981 [10]; Mintzberg 1994 [11]; Krause 1995 [12]; Kaplan & Norton 2001 [13]; Kim & Mauborgne 2005 [14]; Patel 2006 [15], and many others), in such way that the word and meaning of strategy became vulgar to most entrepreneurs, corporate and business management and students.

Strategy is a kind of "plan" that enterprises define in order to conduct their own future, covering three different levels: corporate – related to different businesses or product lines; business – related to product positioning; and functional/organizational – related to distinctive competencies that may create competitive advantages (Eisenhardt & Sull 2001[16]). From the business stand point, according to Lowy & Hood (2004), authors have worked many different subjects or perspectives like "market needs" (Gale 1994 [17]; Hamel & Prahalad 1994 [18]), "strategic context" (Porter 1980; Pascale & Athos 1981[19]; Tesmer 2002), "strategic options" (Ansoff 1965; Rowe, Mason, Dickel, Mann & Mockler, 1994 [20]; Porter 1985), "marketing and communication" (Davenport & Back 2002 [21]) and "risk" (Henderson 1979 [22]; Ohmae 1982 [23]). All these authors have proposed their own models for strategic analysis and definition, and most are used in the business and academic world, providing a better understanding of the many different factors that impact business decisions.

The "market needs" perspective brings up the necessity to understand consumers in all its extension. One of the many ways to understand consumers' needs is studying their specific functional and emotional needs and, consequently, transforming those into product attributes or functionalities.

Value Analysis (VA) contributes to that understanding through a process of functional analysis (FA) and function costing, determining the relation between the satisfaction of needs and resources utilized, being this relation called "value" (Miles 1972 [24]; European Norm EN 12973:2000 [25]).

A European transnational group of specialists in Value Management (VM) have produced a document (Value

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Management Handbook, European Commission, 1995) [26], which illustrates the existence of a direct relation between “value” to consumers and business strategic planning and decision making, which is supported by the VM European Standard. Many of those applications of VM concept in the business world have brought up the issue of product value, from the consumers’ perspective, to the level of corporate strategic analysis and definition, impacting many aspects related to different stakeholders beyond consumers, like impact on society and environment, economical influence on suppliers and social influence on internal human resources.

From the observation of the direct application of the value concept in strategic planning and implementation in many small and medium size businesses, I came to the construct of a model which progresses from value to product and business strategy, which may provide decision makers with a clearer vision of some potential scenarios and respective outcomes, based upon a set of influential factors, internal and external to the organizations.

The proposed model intends to understand the needed alignment of the different factors in play in order to create the right conditions for any strategy to achieve success. The existence of a good and straight alignment of all factors in play is crucial to make any strategy sustainable. The confrontation with this reality in many situations, especially in the small and medium size company world, has taken me to name the constructed model as “Moving along Alignments and Paradoxes” (MAP), as it can provide a clearer idea about a business’s aligned or paradoxical existence.

III. OWN RESEARCH AND MODEL CONCEPTUALIZATION

From a research in 2004 [27] covering one thousand and eleven enterprises in Portugal, sampling large, medium, small and micro size organizations in a percentage similar to the market reality, I have identified a number of issues (variables) that entrepreneurs, investors and managers have to deal with at the time of decision making. These variables can be grouped in three different levels: (1) macro, covering the factors that set the path for the decision making, as a business strategy orientation; (2) meso, containing the factors that determine what is taken into account in the decision making process, as a definition of a business strategic plan; and (3) micro, evolving around the factors that evaluate the status quo, existing or needed, as a link from strategic thinking to operational planning.

At the macro level, highly strategic, management deals with economical goals, with business and product strategy definition plus market approach and with desired innovation. This sets the business model or path to be followed.

At the meso level, management deals with strategic factors that enable the chosen business model, such as: level of profit; level of product margin; kind of product value; level of organizational effort; kind of market environment; level of difficulty to satisfy the market demand on innovation; and level of cost of capital. These factors provide answers that will feed the macro factors.

At the micro level, management work with the operational factors that need to be addressed in order to enable the business model, such as: product functionalities; product

pricing; market demand; competitors/market supply; market share; organization’s competences; technology and processes; market/environment requirement for innovation; consumers’ demands for innovation; cost of money/interests demanded; and environment/business risk.

It is recognised that complexity adds difficulty to the decision process. Dealing with so many factors at the time of making decisions increases the risk of inappropriate decision-making. This led to the tentative of combining all those factors, independently of their levels, in a model that would provide a clear vision of the outcomes of potential decisions. It also became evident since the beginning that all those factors were correlated to one another in some form or shape, being the input or the output of others, and working independently or dependently of others.

The understanding that the eleven factors at the micro level were the base for the model to be developed, led to a process of grouping correlated factors in separate groups. This process took me to grouping the first seven prior mentioned factors in a business strategy/market approach model, together with two of the meso level, profit and product margin, as these worked as outputs of some of the first.

The created model, consequently, evolves around five major variables plus one, represented by individual matrices, some containing micro level factors, being three of those variables independent and the other two dependent, and the last one a mix of both situations.

The dependent variables in a business are those subjected to the result of other variables, that is, are themselves the result of something else. In this category we include product margin and profit, as both are the outcome or result of decisions and outputs from different factors inherent to the business and to the market.

The independent variables in a business are those that we or someone else may impact in different ways, inducing different outputs or results from real situations. In this category we may include the product “value” for consumers, the organization’s “effort” to deliver that value to consumers and the “market potential” derived from the combination of the demand and the supply connected to the same product.

Once we identified these variables, dependent and independent, we tried to understand the connections among them. Therefore, product “margin” may be the result of the combination of outcomes coming from product “value” and organization’s “effort” and, business “profit” may be the result of the combination of outcomes coming from product “margin” and “market potential”.

Finally, the consequent “strategy” (market approach) to be implemented may result from the combination of the business “profit” and organization’s existing “market share”, or capability to acquire it in the future.

The relation among all variables and their major factors are represented in fig. 1.

In mathematical terms, the outputs (positions) of the “value” and the “effort” matrices become, respectively, the “y” and “x” axis of the “margin” matrix, the outputs of the “market” and the “margin” matrices become, respectively, the “y” and “x” axis of the “profit” matrix, and the output of the “profit” matrix becomes the “y” axis of the “strategy” matrix.

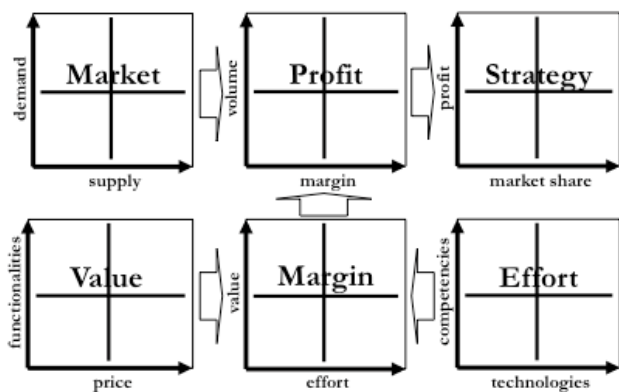


Fig. 1. MAP model

IV. PROPOSED MODEL DETAILS

It is commonly understood that the mission of any business proposition is to provide economical return to shareholders; otherwise they would not invest their resources in any business, in the first instance. It is in accordance with this simple concept that the MAP model has been developed. It has been constructed with the specific objective of understanding the potential profit of any business proposition and the consequent and appropriate strategy to achieve such objective.

First, I will analyse the three major independent variables of the model: value, effort and market.

There are several factors that contribute to the margin of a product and, therefore to the profit level of the business model. Perceived value by consumers can influence, among other factors, the margin that a product can provide to a business and it maybe considered the primary factor to be understood by any business.

According to the Value Management Handbook (1995) and the European Norm EN 12973:2000 "value" can be understood as the relation between the contribution of the function to the satisfaction of the need and the cost of the function. Both documents also indicate that value is not absolute but relative, being perceived differently by the different stakeholders. In a more simplistic manner, easier to be evaluated intuitively by businesses and consumers, value can be defined by the factors functionalities of the product and by the price paid by the consumer.

The functionality factor is divided in two different types: intrinsic and extrinsic. The intrinsic functionalities a product can provide are the basic ones that any consumer can expect of the same product, that being the reason for which the product has been conceived and produced. A watch (clock) is made to provide the consumer with the indication of the accurate time at any moment, and that is what any consumer can expect from it when buys any watch. Providing the exact time and other related expected information, like the date and others, makes a watch fit in the bottom half of the functionality axis. The extrinsic functionalities that a product can provide are mainly related to the emotional values of it, that being the prestige a brand can give to any consumer who uses it. The watch does not only provide the exact time and some other information with extreme precision and accuracy, but also provides importance to its user, making of him or her

a person with more prestige (at least, that is what is expected). These functionalities are located in the top half of the functionality axis of the value matrix.

The price is divided in two levels: the accepted price and the imposed price. The accepted price is what any consumer accepts to pay in order to acquire a given product, rejecting anything above a certain level from which the price is considered not justifiable by the return (functionalities) that it provides. Most product prices are set at the level of acceptance of consumers, matching the offer/demand curves theory. This price category seats on the left half of the "product price" dimension, which is measured by the price axis of the matrix. The imposed price is what the producer or supplier of a given product demands to sell it, despite what the consumer thinks about it, forcing the last to pay it. Some products consumption is regulated and the price paid for them is much higher than what the consumers would consider as acceptable. Other products have a set price at a very high level, becoming not acceptable and affordable by most consumers, being, however, still acquired by a very small number of consumers who can afford to pay their high prices, based on some special appeal that comes from the extrinsic functionalities. These products are classified on the right half of the price axis of the value matrix.

Therefore, on the Value matrix of the MAP model we can identify four archetypes of value, being, clockwise from the bottom left quadrant: (1) "commodity", one among many of the same kind (2) "best value", most as a result of an entry strategy; (3) "premium", the best in class; and (4) "lesser value", an imposed product or service or a launch failure.

From more than one hundred registered empirical observations, during a still on going implementation process in my consulting services since 2006 I have been able to characterize products placed in each of those quadrants.

The "commodity" archetype covers the generality of most products and services. They only respond to intrinsic functionalities, providing satisfaction to the basic operational needs of consumers. No prestige is given to the usage of these products. The consumer understands very well what expects from the product or service and is only willing to pay a certain amount of money for it, rejecting to buy it if the price is above the level that is considered acceptable. This pressure forces producers to reduce production costs and going many times to the "disposable product" concept. Almost all every day-to-day products that we buy are in this category.

Products in the "best value" archetype are seen by the consumers as providing all needed intrinsic functionalities and some extra extrinsic functionalities but, however, at a much more affordable price than the "Premium" products, which makes consumers buy it in larger quantities. Normally considered as "good value for money", consumers prefer this kind of products due to the perception of the real low price. Many products that are considered in their first stage of life as "premium" fall into the "best value" category when due to a strong price reduction are offered to consumers at an affordable price, which makes consumption rise tremendously, pushing the price even to lower levels, and, eventually, forcing the product to become a "commodity". The initial mobile phones generalization went through a process of this kind.

Consumers perceive “premium” products as providing all needed intrinsic functionalities and also extrinsic functionalities, which add prestige to the usage, justifying the higher price paid which is also seen as a factor that contributes to the desired exclusivity. Not many products fit in this archetype, and the ones that do so need a strong effort in the branding support arena. Some well-known luxury products, like cars and watches, and services, like hotels and health facilities, illustrate these kinds of “premium” products. However, some more common products and services can also fall into this category, like “premium” beers and well recognized brand cloths or consulting advice and beauty treatments, and only do so when comparing with other competing products or services of their genre.

The “lesser value” archetype contains products that only respond to the intrinsic functionalities but are acquired at a price that is considered very high by consumers, not equivalent to the low level of needs satisfaction. Consumers only buy this category of products when they have not any other alternative or substitute product or are forced to buy them by any external force (regulations or others). Many compulsory insurance coverage or legal services fall into the archetype. Some companies also make their products fall into this category by applying “skimming” strategies when launching them, like some mobile phones and IT equipments, or when the demand reaches very high levels, like toys during Christmas season. Normally, these strategies are short-term and try to explore the appeal that products may have on consumers at a specific time.

As mentioned before, perceived value by consumers, among other factors, can influence the margin that a product can generate and provide to the business success. The basic idea that defines margin is the difference between the price obtained by the sale of a product and the cost reached to produce the same product, or in a simple way, the difference between revenue and cost. The price of the product is determined on the “value” matrix of the model. The cost, or effort to produce it, can be determined on the “effort” matrix.

The effort that an enterprise needs to apply to achieve the desired product value seems to be related to two different sides of the organization: the “hard” side, related to the physical and tangible investment and the “soft” side related to the intellectual and intangible investment.

The vertical axis measures the needs of competencies and knowledge, the “soft” side of investment that a supplier has to put into its work to obtain the desired value for the product. If these needs are similar to any competitor’s needs, then the product is classified on the bottom half of the axis. If the producer needs higher competences and more advanced knowledge than its competitors, to produce the same product, then it will be positioned on the top half of the axis.

Sophisticated processes and technology needs are related to what the supplier of a product needs to put into its work in order to deliver the expected product on the “hard” side of investment. If these needs are similar to what any other competitor also needs to produce the same product, then the effort on this dimension is considered on the left half of the axis. If the needs for sophisticated processes and technology to produce the product are different and more expensive than those of any competitor in order to achieve the desired

innovation or differentiation, then the product is classified on the right half of the axis.

The “effort” matrix provides important information related to innovation and differentiation obtained by the usage of more advanced competences and knowledge and more sophisticated working processes and technology. It maybe is easy to overcome an innovative product but it is very difficult to replicate an innovative business system (Bhide 1999 [28]). On the effort matrix we can identify four quadrants, being, clockwise from the bottom left: (1) “theatre”, where all actors play at the same level; (2) “atelier”, high on human competences; (3) “laboratory”, where breakthrough innovation really happens; and (4) “factory”, the best in technology and sophisticated processes.

In my on going observation, I have been able to characterize organizations in the different four quadrants of the effort matrix.

The “theatre” archetype is characterized by using common working processes, technology, competences and knowledge among all competitors. Any investment made by businesses in this archetype will not change the product in terms of innovation or differentiation, but will try to level up their performance to the best practices in the industry. The large majority of organizations fall into this category.

The “atelier” archetype comprises businesses that use extra knowledge and new competencies in order to innovate. The additional or extra investment costs related to knowledge and new competencies can be used in the concept and development of the product or in the marketing and commercialization arena. New solutions are mainly found in existing and known processes and technologies but using new knowledge and information and developing new competencies. The fashion industry fits in this category, as well “mass market” products with simple processes like bank services, where technology resumes to information management.

The archetype “laboratory” comprises those businesses and products that are the result of a strong investment in innovation and differentiation on product development and production processes. The I&D is the focus of all organizations that produce this kind of products, creating and developing new knowledge and competencies as well as new technology and working processes, which are “breakthroughs” to the industry. The IT and the biotechnology industries are good examples of this category.

In the archetype “factory” the usage of new technology and more sophisticated processes is a way to innovate and differentiate how the product is produced by the organization. The focus is mostly on the production processes and not on the product itself. Normally, technology is acquired from leading developing firms but processes are developed internally. The car industry fits mostly in this category.

The full and comprehensive understanding of the market dynamics is critical to foresee the future profits of any business. This depends of two very important factors: the potential market dimension (demand) and the number of competitors (supply). To understand what the market dimension can potentially be, from which any enterprise will take a respective share, we need to combine both factors.

The demand factor behaves mainly as a result of its

elasticity, as it depends on the potential growth in demand that a specific market segment can suffer if, by any chance, for example, the price (cost to consumers) of a product decreases, shifting the supply curve right and increasing the quantity demanded (the same effect on the elasticity of demand can also happen when the demand curve shifts right), and the supply factor is mainly dependent on the number of competitors.

If demand increases (high elasticity on demand), then the market is positioned on the top half of the vertical axis of the matrix, that is, the market has potential to grow in dimension (number of consumers or sales per consumer). If, even with price reduction the demand does not increase (no elasticity on demand), then the market is positioned on the bottom half of the same axis.

The number of competitors (supply) is positioned on the left half of the horizontal axis when the entry or withdraw of one or more competitors has some or strong effect on the market share of the remaining competitors. On other hand, if that has little or no effect, then the position is on the right half of the same axis.

The potential market share of any enterprise depends first on the combination of those two factors, being higher when demand is high and number of competitors is low and being lower when demand is low and number of competitors is high.

On the market matrix we can identify four quadrants, being, clockwise from the bottom left: (1) "river", a small field for few predators; (2) "ocean", a large field for few or one predator; (3) "sea", a huge field for many hunters; and (4) "lagoon", a reducing field for many hunters.

From direct empirical recorded observations during the past six years, I may be able to characterize the four different market archetypes as following.

The "river" archetype is characterized by a low number of competitors in a non-growing demand market. Normally, these markets are specific niches that do not attract new entries due to different kinds of barriers related to the niche dimension, the specificity and product knowledge, or even restrictions of some kind. This quadrant can be either the starting point or the end point of products' life cycle as a normal product life cycle is frequently defined by a full circle that travels through out all four quadrants, clockwise.

The "ocean" archetype has a strong potential growth but with only a few or no competitors. These are markets that can be monopolies or oligopolies with high growth, where is very difficult to enter, but normally they are just growing markets in demand during the growing phase of many products life cycle. Some very regulated markets, or very scarce natural resources industries, or even strong "brand" name products may fall into this category, when there is a strong demand for them.

The "sea" archetype is characterized by a strong growth in demand but also by the existence of a large number of competitors. These are markets after the early stage of the product life cycle or at the pick of demand, where market barriers for entry are quite soft. Large demanded products or large demographic markets fall into this category.

The "lagoon" archetype is the most common type, where a large number of competitors fill a non or low growing

demand market. These markets have matured or near maturity products and are much filled with many different options. This is the archetype with less potential to support any business proposition.

Now, I will analyze the two dependent variables of the model.

Margin is the result of outcomes from value and effort. The matrix defines four archetypes of product margin, clockwise from the bottom left: (1) brass; (2) gold; (3) titanium; and (4) aluminium.

The empirical observation validates the following characterizations.

The "brass" archetype is characterized by low organization's effort and low perceived product value. Margins can be sustainable if production costs are kept low. Most commodities in our day-to-day life fall into this category. Strong investment in these products has to be well evaluated and, most of the time, it is not advisable.

The "gold" archetype is seen as the best of all, as it is the one that can potentially provide the highest profit margin. Normally, these are low production cost products but with a strong brand name, with low need for innovation or differentiation. They can be luxury products or well known and famous services. The investment needed is mostly in the promotional field. However, due to its high attractiveness as a consequence of the low effort needed to produce them, products in this archetype do not stand alone for long, as many competitors try to enter the market and copy the leading product.

The "titanium" archetype comprises products that are considered generally by the market as state of the art products, as they normally are very innovative and differentiated when comparing with others. These products have potentially high profit margins, but they also need very high investment in technology and competencies, what makes them being considered very often of high risk. The biotechnology industry is clearly in this category. When consolidated in the market, these products tend to last longer than others as good margins providers.

The "aluminium" archetype is maybe perceived by the market of low value, but it needs a strong effort to produce the desired "value". These are the lowest profit margin makers, and they do not survive in the long-term. Some unknown or less accepted technologies have products that fall into this category.

Profit is the results of potential available volume from the market and the product margin. The potential profit that any business proposition is capable of delivering is related to two factors that impact the "net profit": the quantity of product sold and the profit margin provided by the product unit. The equation ($\text{Profit} = Q \times M$) can be represented in a matrix with four categories of potential profit, being, clockwise from the bottom left: (1) scarce; (2) limited; (3) abundant; and (4) enlarged.

From the mentioned observation, the following characterization can be made.

The "scarce" archetype comprises products that are usually over their life cycle, with low profit margins and low or even negative potential volume growth. Any fluctuation on the demand side can suffocate the business. These

products are not sustainable in the long term.

The “limited” archetype is characterized by large volumes of sales, but low margin on each product unit, suffering strong pressure on the last factor. Fluctuations on sales volumes or unpredictable added costs can create serious problems to business. Many mass production and sales products fall in this category.

The “abundant” archetype is the one that provides more potential profit to a business. The product margin and the potential volume of sales are above average. Normally, products in this category are market leaders, monopolies or oligopolies, large natural resources owners and some businesses even protected by regulations. Usually, they use their profits to invest strongly in the innovation of new products.

The “enlarged” archetype is still very much attractive. It has strong product unit margins despite de fact that has low potential volume growth. Usually, these products are leaders in small niches, and they answer very specific market needs, having a strong customer loyalty, potentially based on differentiation and innovation.

Finally, and as a micro level kind of decision-making, business strategy and market approach is the end result of all previous decisions made at the micro or more operational decision level.

Strategy is defined by potential profit resulting from of previous factors and business existing market share or its capability to acquire market share in the future.

The four kinds of strategic market approaches are the consequence of the combination of potential profit and market share, being, clockwise from the bottom left quadrant: (1) “control” the organization and clients, focusing on sales and clients retention; (2) “develop” product and market, focusing on yearly adopters kind of consumers, (3) “leverage” the dominant market position, focusing on corporate image and marketing, and (3) “explore” the market, focusing on distribution.

The “control” strategy focuses all efforts in controlling market and competitors, always controlling any market advance, consumer changes and competitors development. The low market penetration capability and the low potential profit force many businesses to disappear, forced by a large number of competitors and by a very strong pressure on margins. It is essential that the organization controls costs, mainly related to investments, and forces sales in order to acquire more market share and retain clients and customers.

The “develop” strategy configures a strong investment in product and market development. There is a very strong need for product innovation and for market penetration. The effort in market penetration means making the consumer try and adopt the product, communicating product attributes clearly and finding reliable distribution channels. The effort in product innovation is related to understanding the needs of consumers and uncovering implicit needs and finding innovative solutions that can project the innovation far ahead from competitors.

The “leverage” strategy comprises a strong investment in marketing, production, distribution and innovation capability, taking advantage of a strong potential leading position that the organization may have. It is fundamental that the

organization defends the product position against attacks from competitors and imposes market rules to competitors. The existing product improvement must be based on a sustainable kind of innovation, to keep its performance ahead of any existing or potential competitor. However, part of the generated profits must be directed to “radical” innovation (Abernathy & Clark 1985 [29]; Markidis & Gerosky 2005 [30]; Davila, Epstein & Shelton 2006 [31]), creating new products and solutions to answer new needs or existing needs in new contexts, creating leading advantages.

The “explore” strategy comprises products that have a large market share, perhaps leading products that are achieving maturity. The effort is focused on controlling costs and acquiring distribution capabilities, together with a strong image and “brand” name. The sales and marketing functions must be very strong and distribution plays an important role in the business strategy. The objective is gaining market share, grabbing that from other competitors.

The MAP model has a straight relation with the Tesmer’s Perfect Business Match model (2002), as both come to an equivalent conclusion when using different determining factors in the analysis process. The develop strategy aligns with a “frontier” market environment, where innovation really starts. The control strategy is in alignment with a “jungle” market environment, where competition is at its maximum level. The explore strategy fit with the “battleground” market environment, where products appear at its maximum commoditization level. And, the leverage strategy is well aligned with the “kingdom” type of market environment where product benefits from an indisputable product leadership in the market place. The validation of each of those models by the other has an especial importance for the understanding of the market environment and the most adequate approaching strategy to marketing, eliminating misunderstandings and reducing risk in the strategic decision process.

V. IMPLICATIONS TO STRATEGIC THINKING

When one is conceiving and designing business strategies, one must consider the effect that all forces in play can have on one’s plans. There are many forces that can influence the route course of a business strategy, like political, social, economical and technological (known as PEST) and rivalry in the industry, buyers’ power, suppliers’ power, threat of substitutes, and barriers to entry (Porter 1980).

The intensity of change that those forces can have on the environment where the business is in and the time length that they will impact define the kind of strategic equilibrium that a business can expect and is presented as a proposed theoretical model as shown on fig. 2.

Based on the proposed model, we may theorize about the four resulting archetypes, as following.

If the intensity of the changing force is weak, that means that changes are going to be soft and slow, and this situation is going to last for a long time span, we may say that we can have a strategy of “alignment” with all forces and expect that things will happen as predicted. This may be the ideal situation that any business expects.

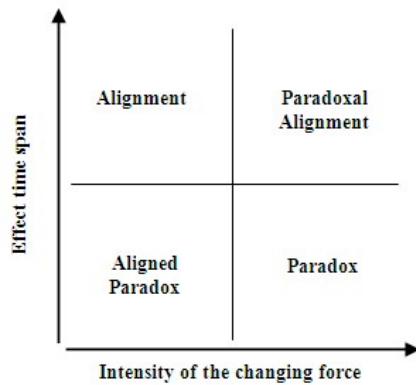


Fig. 2. Alignments matrix

However, if the intensity of the changing forces is high, that means that changes are going to happen very rapidly, even without previous notice and having a strong impact on the business environment, and the time span expected to last is not going to be very long, then we may say that we must have a “paradox” strategy if we want to go over the situation, meaning this that we may need to define business strategies based mainly on external forces, even if they have a short-term perspective.

If the intensity of the changing force is weak and the span of time that it is going to be felt is short, we may just have to readjust our strategies in order to align them for the imposed timing, but being ready to go back to previous strategies when the “aligned paradox” disappears. This may happen when something occurs far from one’s geographic arena and brings new working conditions and needs into his operating process, forcing one, sometimes, to develop some quick strategic adjustments.

When the intensity of the changing force is very strong and its time span of effect is too long, we must develop strategies to face a “paradoxal alignment” situation. The increasing pricing of diesel is forcing transportation companies to develop “paradoxal alignment” strategies, as on one hand production costs will keep increasing constantly while on the other hand there is a great pressure from clients to maintain or even reduce prices previously established, as transport costs became a critical factor to these. This situation, because may last for too long, may put some transport companies into turmoil, running the risk of closing business. Most of the time, the best strategy in a “paradoxal alignment” situation is getting out of the market while conditions are kept unchangeable.

This approach may be used when evaluating any business condition in a short or long-term perspective, as the current situation may change unexpectedly, and sometimes, for no apparent reason.

VI. FURTHER RESEARCH AND DEVELOPMENT

The MAP model doesn’t cover all the eleven factors identified at the micro level, previously mentioned. Four of those were not included in this paper as they belong to the innovation and to the economical value return models. But there is still a strong link between the MAP model and those models. Despite the fact that those linkages have been already theorized and developed, the validation process, to be

done through application and direct empirical observation on organizations, still needs further development. However, the data collected so far indicates that the proposed model links directly with innovation and economical value return, at the holistic or macro level and also at the meso level.

There are also strong reasons to believe that the model can be used to evaluate and demonstrate the perfect alignment between business and market/environment in any real situation, independently of the business or economic sector, and to create scenarios supporting the business decision process.

A software application has been developed, which works with all the eleven micro factors, seven meso factors and three macro factors, linking them in the logical sequence. An assessment of 45 qualitative questions and 10 quantitative questions has been also created and applied on the sample which has been used for the empirical observation of the validation process.

The current further development of the software will allow users to evaluate any business proposition, at any stage of its life cycle, providing a detailed report of the alignments and of the potential success for the business. This will be of interest, particularly, for new entrepreneurs, managers, scholars and high education students.

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