岡山大学経済学会雑誌20(1),1988, 163〜185

《研究ノート》

On Strategies and Actions of Enterprise

Masami Nishikado

Preface

Needless to say, it is indispensable for the companies as well as any other living creatures to adapt themselves to the environment, in order to survive and continue their lives. In addition, they are always required to develop the revolutional behavior for their growth in the competitive market.

Such a revolutional behavior comes from management system which enables company to research the opportunity and avoid the risk. In other words top management must formulate the strategy, which is excuted by co-operation of all organization perticipants to get the good result.

From the recognition to this fact, thought of strategic management prevails recently instead of management strategy.

In this paper concepts and terms on problem solving, innovation, and corporate strategy will be introduced from some literatures and discussed.

1. Environment and Enterprise

1—1. Various Impacts to Management

There are brought many impacts to management by the change of society, which may bring influence to company in the future.

One of them is the development of technology which changes the production type from merchandise to service by information or other technology, it is so called soft economy.

Second, having to enlarge their business field from domestic market to international owing to growth, companies must change the business type of foreign trade themselves from export of merchandise to tramsfer of capital and technology, and migration of people with them. Also political and social environment will influence to the company.

In the case of Japan there are many other problems to effect for management, *i. e.* increasement of the aged in population. Furthermore following problems will bring a large scale of change of econmic circumstance to overcome for the Japanese companies.

1—2. Countermeasure to Environmental Change

Japanese company has some problem to solve now, as follows:

(1) Follow up by Asian Newly Industrializing Countries (NICS)

Already companies with large equipment, such as Iron and Steel, or Ship Building, transfered their technology to the developing countries, and can not compete to them at the price by lower wage. So, large scale equipment companies are forced reduction of production activity, retirement, or change to other type of industry.

(2) Fluctuation of Foreign Exchange Rate

Since 1985, foreign exchange rate of Japanese Yen coutinues to rise, many companies which depends chiefly on export, are suffered heavy damage, and going to try to produce their products in foreign countries. We can find the behavior in not only large scale companies, but also middle or small scale factories. These circumstances came through enlargement of foreign market by cost reduction with the effect of mass production.

(3) Variety or Change of Value Conception

Economic growth and development by information technology in Japan brought change of value conception to peoples. Each one came to have own thought on daily living. At the effect of this fact companies must offer the goods or service, which satisfy each consumer's need, instead of mass production of one or two line products. Now companies are required to adjust their business behavior to small market.

1—3. Problem Solving on Business

Corporate behavior to adjust itself to environment seems to be action of solving problem arised from change of circumstance in management of business. Every company has many problems to be solved usually, large or small. Without solve these problems company cannot achieve the goal and accomplish the expected performance.

There are two kind of problem in business management. One is brought by change of circumstance around the company, we name it type "A" here. The other is created positively by management for growth of company in future, name it type "B".

For instance the case of type "A" is the problem which management can not achieve the goal of sales by any reason outside of company. On the contrary if impossible to accomplish the goal of sales owing to possitive revise of goal, problem is type "B" at that case.

Each of the problems has different contents. The former is the problem brought from circumstance around the company, the later is problem brought by management possitively in order to try development of the company. At any case, both of them must be solved, if the problem cannot be solved by the usuasl means, management must reinforce the means or reduce the level of goal, but this way is not effective or suitable for the business to growth, so new or original means, *i. e.* strategy is required at that time.

For growth and prosperity of the company, management has to establish always the type "B" problems and resolve them one after another. This shows that management has to search the opportunity for growth of business usually and avoid the risk, and the means, used by management, is management strategy. Also it is required to be established the system which enable management to take such a behavior in business activity on the other side.[(1)]

To find opportunity for the type "B" problem is the important function of top management, and such a management behavior is revolution of business which leads the company to prosperity in future.

1—4. Management strategy for business revolution

Establishment and solution of problems by management strategy in business are indispensable to the revolution for growth and prosperity of company. There are opportunities for business revolution to researcch the new needs of consumers, such as anticipating the trend of the times, opening the new market, etc.,

J. A. Schumpeter required the following innovation to entrepreneur (a) production of new goods or goods of new quality, (b) introduction of new production method, (c) opening new market, (d) acquisition of supplier of row material and halfproducts, (e) actualization of new organization. In other words needs of innovation can be find not by the impact from outside, but in circle of economic activity of company itself. And driving force of innovation is the entrepreneur who excutes innovation arise from creative destruction or realization of new combination.[(2)] Entrepreneur is top management of the company at present.

2. Innovation and Strategy

2—1. Opportunities of Innovation

Entrepreneurs have to innovate the company. Innovation is the specific instrument of entrepreneurship. It is the act that endows ressources with a new capacity to create wealth. Innovation, indeed, creates resources. There is no such thing as a 'resoûce' until man finds a use for something in nature and thus endows it with economic value.

'Innovation', then, is an economic or social rather than a technical term. And it is change that always provides the opportunity for the new and different. Systematic innovation therefore consists in the purposeful and organized search fo changes, and in the systematic analysis of the opportunities such changes might offer for economic or social innovation.

Most successful innovations are far more prosaic; they exploit change. And thus the discipline of innovation (and it is the knowledge base of entrepreneurship) is a diagnostic discipline: a systematic examination of the areas of change that typically offer entrepreneurial opportunities.

Specifically, systematic innovation means monitoring seven sources for innovative opportunity. The first four sources lie within the enterprise, whether bussiness or public-service institution, or within an industry or service sector.

1. The unexepected——the unexpected success, the unexpected failure, the unexpected outside event;
2. The incongruity——between reality as it actually is and reality as it is assumed to be or as it 'ought to be';
3. Innovation bassed on process need;
4. Changes in industry structure or market structure that catch everyone unawares.
5. Demographics (population changes);
6. Changes in perception, mood, and meaning;
7. New knowledge, both scientific and nonscientific.(3)

2—2. Concept of Management Strategy

According to K. R. Andrews, corporate strastegy is the pattern of decision in company that determines and reveals its objectives, purposes, or goals, and major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be.(4)

This is introduced from the following two concepts: First, P. F. Drucker addressed an organizatinal strategy to be the answer to the duel questions: "What is our business? And what should it be?"(5) Second, A. D. Chandler defines "the determination of the basic long-term goals and objective of as enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals." The former is focused on the concept, and the later on the process. K. R. Andrew combined with and developed them.

For this definition C. W. Hofer and D. Schendel state that there is another view of strategy.(7) That is, by contrust, H. I. Ansoff(8) viewed strategy as the "common thread" among organization's activities and product/market that defined the essential nature of the business that the organizaion was in and planned to be in the future.

2—3. Hierarchy of Management Strategy

Whatever quick the speed may be, all companies have to adjust themselves to the change of environment to survive and continue to growth. If new or revolutional means that have never been used are required to overcome the problem arise from the changes of circumstances, that is very management strategy, which must bring effectiveness and efficiency to company.

There are hierarchies of strategies which differentiate between three major levels or organizaional strategy.[9]

(1) Corporate Strategy——concerned primarily with answering the question what set of businesses should we be in? Consequently, scope and resource developme-nts among businesses are the primary components of corporate strategy.

The two major types of functional area policy decisions that are universally important at the corporate level involve financial structure and basic design of organizational structure and process.

(2) Business Strategy——At the business level, strategy focuses on how to compete in a particular industry or product／market segment. Thus, distinctive competences and competitive advantage are usually the most important components of strategy at this level.

It focuses on the integration of different functional area activities within a single business. For most businesses, the major functional area policy decisions include product line, market, development, distribution, financial, manpower, and R & D policies, plus major manufacturing system design choices.

(3) Functional Area Strategy——At the functional area level, the principal focus of strategy is on the maximization of resource productivity. Synergy and the development of distinctive competences, therefore, become the key components, while scope drops sharply in importance. Here, synergy involves the coordination and integration of activities within a single function.

Strategy for innovation is at the corporate level by top management, but problem solving or innovation behavior for corporate growth must be done in every management level.

Characteristics of Corporate-, Business-, and Functional-Level Strategies are stated by L. W. Rue and P. G. Holland as follows:(10)

	Corporate	Business	Functional
Level of management responsibility	Top corporate-level managers managers	Upper middle business- or divisional-level managers; or top, in a single business- or product company	Operating functional-level managers
Scope	Entire organization	SBU or single-business or product company	Functional area, geographic area, product area, customer area
Time spun	Long range (0−5 years)	Intermediate range (1−3 years)	Short range (0−1 year)
Specificity	General statement of direction and intent	Concrete and operationally oriented	Action and Implementation oriented

3. Strategy Alternatives

3−1. Alternative and complementary strategic postures

The goals and action plans are labeled strategic postures. They classify in two types. The offensive types are appropriate for growth related goals; the defensive for goals that require constricting operations because of inefficiencies. R. A. Comaford and D. W. Callaghan show these strategic postures and give precise comment as follows:(11)

Offensive	Defensive
1. Concentration	1. Retrenchment/turnaround
a. Market penetration	a. Shallow retrenchment
b. Market development	b. Deep retrenchment
c. Product development	c. Reorganization
d. Horizontal merger	2. Divestiture
2. Integrative growth	a. Sell-off
a. Backward integration	b. Spin-off
b. Forward integration	c. Sprit-off
3. *Diversificatiion Growth*	3. Liquidation
a. Concentric diversiification	a. Voluntary closure
b. Conglomerate diversification	b. Assignment
4. Joint venture	c. Bankruptcy
a. Unrelated partners	4. Harvesting
b. Related partners	5. Captive company
c. Dual-nationality partners	

3−2. Concept of Strategies

(1) Offensive Postures

Offensive postures are employed by management to reach goals related to increases in sales or market share, and in some cases, profitability. There are following four types.

1) Concentration Postures

Concentration postures are primarily marketing moves attempted to improve sales or profitability by getting more out of resources currently available within the firm.

Market penetration……This posture is followed to increase sales within the firm's present markets with its present products. It is essentially an advertising action that would normally follow a market analysis undertaken to gain insight into user and nonuser characteristics, as well as their perceptions of the product and its attributes.

Market Development……Firms with strategies aimed at market development seek to expand either the geographical regions or the number or market segments they serve with their product.

Product Development……Product development is a way to increase sales in present segments by augmenting the present product line.

Horizontal Merger and Acquisition……This action involves merging with or acquiring another company in the same industry. It involves increasing the firm's level of activity in its present products, markets, or both.

2) Integrative Growth

Integration strategies seek mainly, but not exclusively, incresed profitability. They accomplish it by expanding the scope of a company's operations to include the activities of the firms that supply its inputs or purchase its outputs.

Backward Integration……Backward integration entails gaining increased control over the firm's supply (or input) activities. It can be implemented through merger with or acquisition of the firm that produces the company's inputs or by "growing one's own" supply systems.

Foward Integration……Foward integration consists of obtaining control over the external portions of the firm's marketing systems. In most cases this means either acquiring a distribution system or establishing one internally.

3) Diversification Growth

Diversification has the best chance of success when the business chosen fits the strategy and when it is attempted by managements who have mastered their current strategies.

Concentric Diversification……This is the development of a business with products that have marketing or technological synergies with the firm's present products. New classees of customers will be sought for these products.

Conglomerate Diversification……This is the combination of business units with products that (1) represent no marketing, technological, or other synergies and (2) appeal to new customer class. It would be viewed as an investment of company funds in a firm with a correctable deficiency or in an environmental opportunity.

4) Joint Venture

A joint venture is a business unit established for a specific purpose and the ownership of which is shared by two or more businesses. It can be used as a way to own and control a business, product line, market, or activity that does not really fit the strategy of either parent.

Unrelated Partners……These are firms that are independent and usually are in different industries. They pool their respective contributions - resources, skills, technologies, and so on - in the joint venture and share contractually in the results of its operation.

Related Partners……Joint ventures by related partners are aggregations of similar activities or business units that could not survive alone.

Dual Nationality……Firms join forces to overcome political, social, or cultural obstacles. Many foreign governments allow firms to do business on their soil only as partners with local firms in joint ventures. So joint venture is the dual-nationality combination.

(2) Difensive Postures

Firm's owner simplify their lives by shrinking their business's size, contraction is usually a defensive response to adversity.

1) *Retrenchment Strategies*

These strategies are attempts to regain control of a faltering business or to prevent it from faltering in the first place by temporarily "reining in" its operations.

Shallow Retrenchment……This is a response to adversity characterized by small but significant cutbacks in expenditures for expense items, asset investment, or both. It would normally follow a decision to lighten emphasis on sales growth for a certain time period.

Deep Retrenchment……This involves severely curtailing operations as a defense against major economic adversity, financial reverses, competitive disadvantage, or, genarally, a drastic treat to sales growth or profitability. Deep retrenchment is characterized by the intention to change at least part of strategy, usually by surgery in the product, market, or business definition area.

2) Divesture

Profitability shrinkages, sales declines, and other operational problems of a diversified firm, may be curable by devestment when at the root of the problem is an ill-fitting subsidiary or business unit. Actually divestment is more a matter of abandoning a misfit than it is a strategic orientation, except in instances where it is part of a strategy designed to rehabilitate ailing acquisitions subsequently to be spun off.

Sell-off……The distinction between a sell-off and a spin-off is blurred because both can be accomplished by the sale of a subsidiary. About the only consistent differnce seems to be in the intentions of the parent firm. If sit sells a business unit that it had originally intended to keep, it is typically a sell-off.

Spin-off……A spin-off divestiture is usually one in which the business unit stands on its own after being separated from the parent.

Split-off……A split-off is a divorce of two approximately equalsized business unit.

3) Liquidation

When a firm or unit of a firm is worth more dead than alive, it can be liquidated. Of course when this happens, the firm ceases to exist; its assets are sold item by item and the proceeds distributed among creditors. The case of the firm in United States is below stated, but in other countries differ from them. Companies take different behavior under the low or regulation of each countries.

Voluntary Closure……This takes place when a firm simply pays off its creditors, closes its doors, and quietly goes out of business. Voluntary closure implies that the firm or its owner has sufficient cash or liquid assets to pay off creditors.

Assignment……This involves the transfer of title to assets to a third party. This trustee or assignee then sells the assets and distributes the proceeds among creditors, according to the magnitude of their claims.

There are three types of assignments: common-law assignment, satutory assignment, and assignment plus settlement.

Bankruptcy……Liquidation under the Federal Bankruptcy Act is appropriate when the liquidating value of assets is exceeded by debt; that is, when the firm is insolvent and the market (appraised) value of assets is insufficient to pay outstanding debt.

4) Harvesting

Harvesting is the strategy of deliberately exchanging (percentage) points of market share for higher short-term cash flow and/or profits. In other words harvesting is the practice of squeezing cash from products or SBUs for which growth has been ruled out as a possible strategy.

5) Captive Company

A captive company is a subcontractor that derives the majority of its sales from one buyer (the captor). Although being tightly linked to a source of a large proportion of sales may seems to be a comfortable situation, captives run the risk of being dropped as supplier.

Strategies for corporate growth like as intergative growth require the merger or aquisition. There are four legal type of mergers.(12)

Statutory Merger……Statutory merger is the absorption of one firm's assets, debts, and common stock by another firms. The buyer assumes all legal responsibility for the absorbed firm, which ceases to exist as a legal entity. The buyer also assumes the seller's debts and pays off the seller's stockholders with whatever form of exchange was agreed upon, and continues to operate with title to the seller's assets.

Consolidation……When two firms are combined such that a new, third legal entity is formed, it is called a *consolidation*.

Holding Company……A Holding company is a legal form of business organization in which a firm owns (holds) common stock of other firms. The holding company (parent firm) can gain control of a subsidiary by owning enough of its stock.

Asset Acquisition……This is normally a simple buy-sell transaction. Some firms purchase assets of other firm in exchange for assumption of certain of the seller'a debts.

Takeover……The foregoing types of merger are dubbed "friendly mergers" when terms are approved by the management groups of both parties. However, when the parties are unable to reach agreement on terms, two things can happen. Negotiations can be broken off and the proposed merger terminated, or the acquiring firm can attempt a takeover.

Strategic reasons for merger are as follows:[13]

Synergy——to spread fixed costs over a larger number of units produced.

Tax Saving——to take advantage of the seller's tax-loss carry foward.

Acquisition of Resources——market access, production capabilities, patent rights, physical assets, etc.

Increased Debt Capacity——to increase the combined entity's debt/equity ratio and its borrowing capacity.

Advantages over Internal Growth——to enter a new market or introduce a new product line faster than internal expansion, or other scale merits.

Short-Term Earnings——to change earnings per share in the short term, and to enhancing future earnings and dividend streams.

Risk Reduction——business risk, financial risk, and marketability risk.

4. Strategic Managements

4—1. Concept of Strategic Management

However superior the strategy may be, it is vain to the performance, if the strategy does not go to implementation.

According to G. Boseman, A Phatak and R. E. Schelenberger strategic management is the process which has two major dimensions: (1) strategic planning, and (2) strategy implementation and control, but the process consists of following seven interrelated subprocesses:[14]

(1) Assessment of organization strenghts, weeknesses, opportunities, and threats (SWOT).

(2) Formulation of the organization mission.

(3) Formulation of the organization philosophy and policies.

(4) Determination of the strategic objectives.

(5) Determination of the organization strategy.

(6) Implementation of organization strategy.

(7) Control of organization strategy.

For the above concept F. R. David defines strategic management from the following three phases as the formulation, implementation, and evaluation of actions that will enable an organization to achieve its objectives.[15]

Strategy formulation includes identifying an organization's internal strengths and weaknesses, determining a firm's external opportunities and threats, establishing a company mission, setting objectives, developing alternative strategies, analyzing these alternatives, and deciding which ones to execute.

Strategy implementation requires that a firm establish goals, devise policies, motivate employees, and allocate resources in a manner that will allow formulated strategies to be pursued successfully.

Strategy evaluation monitors the results of formulation and implementation activities.

4—2. Strategy formulation

Strategy formulation consisits of two stage: the first section is goal formulation, and the second is action plans are enumerated.[16]

4—2—1. Goal formulation

First of all, goal, target, and objective have distinct meanings as follows:[17]

A goal is an expected result and thus is a general term that is more inclusive than objective and target. Synonyms for goal include the words aim and end.

An objective is an aspiration toward which effort is directed; a goal to be reached for but not necessarily grasped, rather than a quantitative level of a certain variable.

A target is a goal to be reached, a quantified expected result. There are two types of targets: (a) a hurdle target is a certain level of a target that is to be exceeded (synonyms for hurdle target include instrumental target and interim target); (b) a final or overall target is a value that should be achieved. A final target could be established without hurdle targets or it could be the value achieved after all appropriate hurdle targets have been reached.

4−2−2. Mission and hierarchy of goal

Mission should address the basic purpose of the firm, the reason for which it exists, so mission must state and answer to (1) Who are the enterprise's customers? (2) What are the firm's major products or service? (3) Where does the firm compete geographically? (4) What is the firm's basic technology? (5) What is the firm's attitude toward economic goal? (6) What are the fundamental beliefs, values, aspirations, and philosophical priorities of the firm? (7) What are the firm's major strength and competitive advantages? (8) What is the firm's desired public image? (9) Does the mission statement effectively address the desire of key stockholders? (10) Does the mission statement motivate and stimulate its reader to action?(18)

Including mission as a societal goal, there are four levels of goals appropriate for an organization(19).

(a) Societal goal……These mainly address expectations about the firm's societal legitimacy. Sometimes included in statements called creeds or guiding philosophies, societal goals identify the major ways in which the organization will operate so as to stay within the legal, ethical, and cultural constraints placed on it by society.

(b) Corporate-level goals……Corporate-level goals consist of objectives and targets that encompass management's expectations about the optimal combination and types of business that make up the company.

(c) Business-level goals……Business-level goals specify the performance objectives and targets of each strategic business unit.

(d) Functional-level goals…… The point of this goal is to define several aims for each department in such a way that their achievement of business-level goals.

Goal Levels	Integrates	Guide Behavior of
Societal Corporate Business Functional	Organization with environment Business units Functional departments Work units	Corporate leaders Corporate staff Business managers Functional managers

4—2—3. Internal and external audit

Proceed to settlement of goals it is required to audit internal and external environments to take assessment of an organization's strength, weaknesses, opportunities, and threats (commonly referred to as SWOT analysis).

External environments consist of political, economic, technological, and sociocultural factors, from which threats and opportunities for company are found.

Internal diagnosis is required to the functional areas of marketing, personnel and union relations, production, research and development, etc., especially financial dimensions, as to financial ratio, liquidity, coverage, profitability, leverage, and activity.(20)

4—2—4. Formulation of Policy

Owing to formulate strategy the policy must be prepared. Policies were defined as guides to action within which goals established and strategies are determined. So policies tend to limit the scope of alternatives that must be considered in implementing of strategies.(21)

F. R. David defines policies as the means by which stated goals will be achieved, or as guidelines established to support efforts to achieve stated goals, so policies have two distinguishing characteristics: (1) they are guides to decision making, and (2) they are established for situations that are repetitive or recurring in the life of a strategy. Policy can be established at the corporate level and apply to an entire organization, or they can be established at the divisional level and apply to a single division, or they can be established at the functional level and apply to only certain operational asctivities or departments, and policies, like goals, are particularly important in the strategy implementation process.(22)

4−2−5. Strategic alternatives

Company has a wide variety of options to choose a strategy, as the above mentioned (section 3), L. L. Byars shows from another demensions as follows:(23)

1 . Stable growth strategies
2 . Growth strategies
   a . Concentration on a single product or service
   b . Concentric diversification
   c . Vertical integration
   d . Horizontal diversification
   e . Conglomerate diversificaion
3 . Mergers
4 . Joint ventures
5 . Harvesting strategies
6 . Retrenchment strategies
   a . Turnaround strategies
   b . Divestment strategies
   c . Liquidation strategies
7 . Combination strategies

Also G. Boseman, A. Phatak and R. E. Schellenberger show the type of strategies, and when they are usueful.(24)

(Strategy)	(Substrategy)
Stability	
Growth	Internal Penetration Expansion External Integration

	Diversification
Retrenchment	Cutback and Turnaroud Divestment Liquidation
Combination	

Stability……In mature industry; environment of firm is changing slowly; firm is currently.

Penetration……Firms has small market share operating in an expanding market.

Expansion……Firm is early in product life-cicle; firm has resources to move into new geographical areas or modify current product(s) or service(s).

Integration……Company needs to control finished products or raw materials. Requires massive capital.

Diversification……Firm has excess cash flow; product has become obsolete; new tax legislation implemented; competition has increased.

Cutback and Turnaround……Firm is faced with short-term environmental changes.

Divestment……Short-term environmental changes become permanent.

Liquidation……Firm no longer competes effectively.

Combination……Firm faces enonomic transition; firm is in transition for new product or service offered.

4—3. Strategy Implementation

Strategy implementation is also a process that establish goals and policies for setting strategies in business and functional levels to excute the corporate strategy for attainment of upper goals. So following actions are characterized.

4—3—1. Matching organizatinal structure with strategy

To excute the strategies in each functional department organization structure must be fit and suitable to strategy implementation. So it is required to change from the traditional organizational structure as functional- or divisional to project team, strategic business unit or matrix structure.

4−3−2. Creating an organizational climate

In order to gain the better performance from the labor, it is indispensable to get the best contribution from individual in organization. So corporate culture favorable to individual is required as well as training or education.

L. W. Rue and P. G. Hollands define that corporate culture is a unique set of characteristics which makes it possible to distinguish one organization from another, and show four generic culture from two dimensions as follows:[25]

		Degree of Risk	
		(High)	(Low)
Speed of Feedback	(Rapid)	Tough-guy macho culture	Work-hard-play-hard culture
	(Slow)	Bet-your-company culture	Process culture

Tough Guy, Macho Culture……When stakes are high and feeddback is rapid, the ability to make quick decisions and to live with the risks requires toughness. Teamwork is not important, and every cohort is ignored, and there is no opportunity to learn from mistakes. It tends to reward individuals who are temperamental and shortsighted.

Work-Hard-Play-Hard Culture……When risks are small and feedback is rapid, activity is the key to success. Rewards accrue to persistence and the ability to find a need and fill it. Because of the need for volume, team players who thrive are friendly and outgoing.

Bet-Your-Company Cluture……In this situation, large investments must be made in long-term projects. It is vital to make the right decisions, so the company moves slowly and deliberately.

Process Cluture……In low-risk situations with little feedback, employees must focus on the way things are done rather than on the outcome of what is done. Workers in this atomosphere become cautious and protective. Those who thrive are orderly, punctual, and detail-oriented.

4—3—3. Allocating Resources

Types of resources available in an organization are classified as bellow:

Financial……liquid assets, liabilities, and equity which include cash, receivables, marketable securities, bonds, stock, bank notes, working capital, retained earnings, and net income.

Physical……tangible assets, which include plants, equipment, land, inventorry, raw materials, facilities, and machinery.

Human……people, such as top managers, divisional managers, department managers, engineers, scientists, lawyers, accountants, skilled employees, and unskilled.

Technological……knowledge, skills, methods, and tools that enable a firm to carry on its chosen activities, which includes the quality control systems, computer systems, accounting systems, management information systems, engineering, R & D, and communication systems.

Resource allocation consist of four basic steps, as follows.[26]

1. Develop an inventory of the total resources available to the firm.
2. Develop an inventory of each division's resources and each department's resources.
3. Develop division and departmental resource request.
4. Allocate resources appropriately to each division and department.

4—4. Evaluation

Control of the organization within a strategic management system is concerned with achieving goals by carrying out strategies effectively and efficiently.

Effectiveness refers to how well an organization achieves its goals - produces expected results. Efficiency, however, is the amount of output per unit of input and relates more to the nature of internal operastions.

Evaluation process consits of the following four phases:[27] (1) Select key valuables that will become the major evaluative criteria for determining whether goals have been achieved and strategies appropriately carried out. (2) Set standards for key valiables that represent levels of satisfactory performance. (3) Measure performance against standards to detect deviations. (4) Take action either to reinforce correct performance or to correct substandard performance.

Conclusion

Every company has always many problems to solve, which are brought through the change of environment. Under the circumstance especially management must innovate the company to growth, so they have to catch the opportunities of innovation, for which formulate the strategy to get good result, in other words to solve type "B"problem.

Strategy, formulated by top management, must be excuted correctly by all participants of organization. From this point of view strategic management is emphasised recently.

At the same time not only management but also all participants must solve the problems may be happened at any place and time, type "A" problems with strategic behavior, happen to tempolary and occationally.

Strategic management is the strategic behavior by all participants of organization for the company growth to solve both problem type "A" and "B".

Notes:

(1) Masami Nishikado, *Strategic Management in Modern Enterprise,* Hakutoh Shobou, 1984, pp. 11-14

(2) Joseph A. Schumpeter, *Theorie der Wirtschaftlichen Entwicklung,* 1912,

(3) Peter F. Drucker, *Innovation and Entrepreneurship,* William Heinemann Ltd., 1985, pp. 27-32

(4) Kemmeth R. Andrews, *Business Policy: Text and Case,* Richard D. Irwin, Inc., 1965, p. 3

(5) Peter F. Drucker, *The Practice of Management*, William Heineman Ltd., 1954

(6) Alfred D. Chandler Jr., *Strategy and Structure: The History of the Industrial Enterprise*, 1962, p. 11

(7) Charles W. Hofer & Dan Schendel, *Strategy Formulation: Analytical Concepts*, West Publishing Company, 1978, pp. 16-17

(8) H. Igor Ansoff, *Corporate Strategy*, McGraw-Hill, Inc., 1965

(9) Charles W. Hofer & Dan. Schendel, *op. cit.*, pp. 27-29

(10) Leslie W. Rue and Phyllis G. Holland, *Strategic Management: Concepts and Experiences*, McGraw-Hill Book Company, 1986, p. 12

(11) Robert A. Comerford and Dennis W. Callaghan, *Strategic Management: Text, Tools, and Cases for Business Policy*, Kent Publishing Co., 1985, pp. 98-110

(12) *Ibid.*, pp. 115-116

(13) *Ibid.*, p. 117

(14) Glenn Boseman, Arvind Phatak and Robert E. Schellenberger, *Strategic Management: Text and Cases*, John Wiley & Sons, Inc., 1986, pp. 5-10

(15) Fred R. Dvid, *Fundamentals of Strategic Management*, Merrill Publishing Company, 1986, pp. 4-6

(16) *Ibid*, pp. 88-90

(17) Robert A. Comaford amd Dennis W. Callaghan, *op. cit.*, p. 85

(18) Fred R. David, *op. cit.*, pp. 88-90

(19) Robert A. Comerford and Dennis W. Callaghan, *op. cit.*, pp. 90-91

(20) Glenn Boseman et al., *op. cit.*, pp. 116-119

(21) Fred R. David, *op. cit.*, chapter 4 and 5

(22) *Ibid.*, p. 13

(23) Lloyd L. Byars, *Strategic Management - Planning and Implementation: Concepts and Cases*, Harper & Row Publishers, 1984, p. 78

(24) Glenn Boseman et al., *op. cit.*, p. 69

(25) Lesllie W. Rue and Phyllis G. Holland., *op. cit.*, pp. 437-445

(26) Fred R.David, *op. cit.*, pp. 311-312

(27) Robert A. Comaford and Dennis W. Callaghan, *op. cit.*, pp. 205-210

* This paper is prepared to offer a preliminary information on managemant strategy and strategic management for foreign student in our seminor.