

A New Model Strategic Management in the Knowledge and Networked Innovation Economy Era

Arif Sugiono^{1*}, Yudith Dyah Hapsari²

¹Departement of Business Administration, University of Lampung, Indonesia

²Departement of Management University Katholik Atmajaya, Jakarta. Indonesia

arifsugiono01@gmail.com, yudithsoeryo@gmail.com

*Corresponding Author

Received: 10 October 2016, Accepted: 4 November 2016

Published online: 14 February 2017

Abstract: The shift from the industrial economy to the knowledge economy and Innovation brings some consequences. One is a model of strategic management for an organization. These changes are essential for the company in order to achieve a balance between internal and external environmental dynamics. Resulting a strategy being able to answer the changing environment, therefore an organization sustainable competitive advantage can be achieved. By using the study of literature, this paper focus on the discussion of strategic management models relevant to the presence of knowledge and innovation economy era. The results showed that the model developed by Davenport, et.al (2006) is particularly relevant. On the other hand, this study is still conceptual, so the authors hope for other researchers, to take this theme with more empirical studies.

Keywords: Strategic Management; Knowledge; Networked Innovation Economic Era.

1. Introduction

We already have experienced in Knowledge-networked innovation economy era. Eight drivers of the transition to a knowledge-networked innovation economy era listed below: new global infrastructure for wealth creation, new source of value, new ownership of wealth, new educational models and institutions, new business models, empowered customers, leveraging of global supply and demand chains, and new governance structures.¹ Eight drivers of the innovation economy makes we believe that the global economy has passed a "tipping point" in the transition from an industrial, goods -centered to an innovation, service centered logic. Figure 1 illustrate the major differences in features between the industrial economy and the innovation economy.²

In line with the condition, The critical strategic management challenge in the knowledge-networked innovation economy era now becomes how organization can continually adapt, shape, change, innovate, create and network to survive and prosper in global market environments that are quickly becoming more unpredictable, with organizations that have become more virtual, mobile, and porous,

with technologies that are becoming revolutionary and integrative, and with people that are more independent, knowledgeable, assertive, and mobile.³

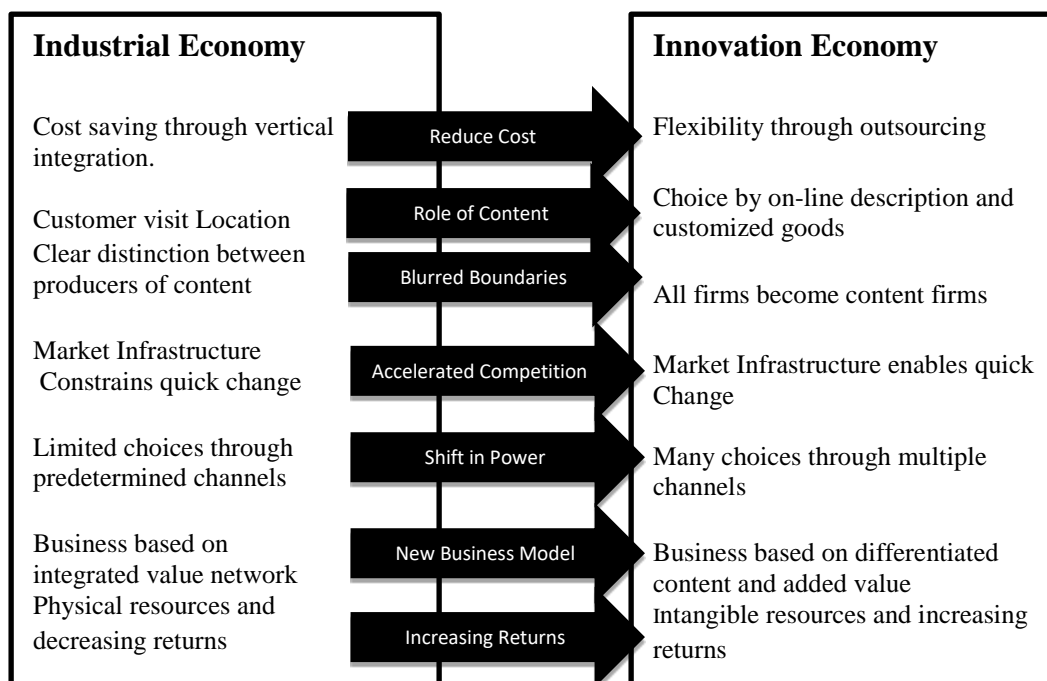


Figure 1. From The Industrial Economy to the Innovation Economy.

Reality shows that not all of the organization, able to respond to the dynamics above, there are some organizations actually rolled by these changes. Against this reality, the study of strategic management, providing an indication that the differences in performance among organizations can be explained not only by the structure of the industry is generated by analyzing the industry / market-based view, but can also be explained by differences in wealth and enterprise resource / resource-based view. Armed with resources that belongs to each organization, an organization has the organization capability that is is generally shaped operational capabilities that are used to perform daily activities of the company in order to build a sustainable competitive advantage, through the creation of goods / services quality.⁴

However, the presence of a new era at above, has consequences that the capability of the organization which runs every day, does not guarantee a company is able to win the competition. Changes in the dynamic environment has brought the consequence, that the success of the company, is more due to the company's ability to create dynamic capability which is characterized by the ability of maintaining the company's capabilities in accordance with the dynamics environment through a learning process that is systematic and ongoing. But more important those of all is the use of a new model of strategic management which more able to answer the strategic design in the presence of the knowledge era. Because of market-based view and the resource based view (dynamic capabilities), are part of a strategic management models.⁵

2. Literature Review

2.1 Strategic Management in the Knowledge and Networked Innovation Era.

In discussing strategic management model at knowledge and innovation networked era, can be more interesting if we search on the roots of historical strategic management development. On the other hand, studies explore strategic management cannot be separated from the study of the organization, since both are in the same epistemology dimension.. In terms of both discusses the activities and the dynamics

group of people cooperation which organized to achieve the desired goal, so it could be seen as a social phenomenon. An understanding of the social phenomena, with the expectation that the dynamics group cooperation can create organizational effectiveness by promoting the principle of efficiency and effectivity (axiological). Therefore, tracing the history of strategic management, certainly rooted / integral to the study of the organization, which eventually led to the modern approach to strategic management.

Table 2. Abridge History Strategic Management

Period	1960	1970	1980	1990	2000
Label	Definition of Strategy	Conceptualizing Strategic Management	Industrial Organization Economic View of Strategy	Resource Based View of Strategy	New Paradigm for Strategic Management
Some Leading Author	Chandler (1962) Ansoff (1965)	Rumelt (1974) Mintzberg (1978) Ansoff (1979)	Porter (1980) Porter (1986)	Barney (1991) Prahalad & Hammel (1990)	Nonaka (1991) Hammel (2000) Pleffer & Sulton (2000)
Dominant Themes	Corporate Strategy, Planning & Growth	Strategic Management Content & Process	Competitive Advantage development	Resource and Capability Development	Learning, Knowledge and Innovation
Rationale	Strategy as a rule for making decision	Evaluation and Implementation of Critical Aspects of Formulated Strategy	Five force analysis of the Industry attractiveness to develop competitive advantage through generic strtaegic	Valuable, rare and costly to imitate resources without close substitutes can be source of sustained competitive advantage	Dynamic strategic model by which firms obtain valuable information, create knowledge and Accumulate intangible capabilities in a process of learning
Strategic Concept, tools & Technique	SWOT ; Experience Curve, Growth Share Matrix	Value Chain	5 Force Model Strategic Choice	Core Competence Value System ; VRIO : Game Theory	New Integrated Information Technology System

Departing from philosophical arguments above, brings us to the traditional organizational studies. So study of organizational and strategic management cannot be separated from the ideas of Adam Smith, FW Taylor, Henry Fayol, Herbert Simon, Ralph Davis, Elto Mayo, McGregor, Max Webber and other researchers.⁶ However, related to the development of organization and management study which is based on the researchers study above, Stephen P Robbins reiterated that the era of management science which tends mechanistic led by FW Taylor, and was followed by the era of behavioral led by Elto Mayo through Hawthorne study that tend humanist, ultimately leading to the thesis and antithesis discussion that is both ultimately gave birth to the modern approach as a synthesis which provide better guidelines for managers.⁷

Three approaches that exist in the modern approach are (i).General system theory.(ii). Socio-technical systems theory and (iii). Contingency theory. Among the three theories above, contingency approach, is an approach that most popular, because it explained the importance of perspective to examine important relationships of an organization with its environment, and the necessity of an organization to adapt to the changing environment if it wants to survive. In line with the above discussion, which the development of strategic management paradigm requires a company to be able to look at the relationship - a relationship that is important from an organization with a dynamic environment. Male & Guilen explain the historical development of strategic management.⁸(See Table 2).

Tabel 3. Traditional (analytical) VS holistic (poised) Strategy Process

The Traditional Strategy Process	The Holistic Strategy Process
1. Situation Analysis	1. Sense Making of Business Ecosystems
1.1. External Environment (Broad external trends & forces ; industrial forces ; markets, competitors)	1.1. Dynamic of Existing Business Model
1.2. Internal Environment (Resources : tangible & Intangible ; Capabilities : Processes & Competencies)	1.2. Dynamic of Business Ecosystem
2. Strategic Analyses & Strategy Pointers	2. Business Model Reinvention : Process & Tools
a). SWOT-Analyses & Strategy Pointers ; b). Key success factors ; c). Strategy Option ; d). Balance Score Indicator	2.1. Existing Business Model Process
	2.2. Possible New Business Model(s) : Processes & Tools.
3. Strategy formulation	3. Business Model & Strategy Options
a). Corporate & Business Vision, Mission ;	3.1. Deliberate BM & sustaining Innovations
b). Corporate Level strategy ;	3.2. Discover-Driven BMs & Disruptive Innovation
c). Business Level strategy ;	
d). Functional Level Strategy	4. Strategy Thrust
4. Strategy Implementation & Change	4.1. Deliberate BM Strategy
4.1. Strategy Implementation	4.2. Discovery-Driven (Emergent) BM Strategy
a). Particular Short term objective	4.3. BM Portfolio & Strategy Integration
b). Programs, Functions & Tactics	
c). Organization : Structure & Network	5. Enabling Continuous BM & Strategy Fitness : Capabilities and Methods.
d). Action Schedule and Process	5.1. Network Innovation Capabilities
4.2. Strategy Change	5.2. Poised Strategy Scorecard Indicators
a). Contingency plan	5.3. Self-Organizing & Coherence Methods
b). Reengineering & Restructuring Process	5.4. Guiding Internal & External Structure
c). Responsibilities & Review Procedures	5.5. Enabling Knowledge-Sharing & Networking.
(Note : Change is an add on in this planning process)	(Note : Change is integrated in this dynamic process)

In response to the importance of contingency approach above, Thomas H Davenport developed a strategic management models that can accommodate more modern approach by observing the environmental dynamics. (Table 3).⁹ Davenport holistic strategy process is contrasted with the traditional strategy process. The holistic strategy process is not a hierarchical or mechanistic step by step process, but a dynamic and integrated process. The change becomes a permanent thing (integrated throughout) in this process. Furthermore, Davenport said that the tools for strategic management are not poised separately discussed or isolated, but in this context, a particular strategy required suspended process. This discussion also illustrated the necessity for a holistic approach to the process and tools, and analytical and beyond "mechanistic" approach.

3. Conclusion

The strategic management development history leads us to the central themes of the importance of knowledge, learning and innovation. By placing the organization as a living organism, in which an organization is defined as an organic integration conceptualized as something that is intact / together in a gesture that can transcend time, space and organizational boundaries to create knowledge.

This theory also confirmed the rejection of the traditional view that considers the organization in the position of static and passive, and tend to be mechanistic. And make the organization failed to capture the dynamic process, interaction with members and their environment within the framework. The traditional view of the organization also put an organization only as an information processing machine which served as the "composer" and executed tasks assigned. Organization only a "machine" taker and a processing information from the environment to solve problems and adapt to the environment based on predetermined goals.¹⁰

In another dimension, there is a reality where there is always a potential bounded rationality in human beings (decision-makers in the organization), which is caused by lack of information / asymmetric information, organizations need to understand the reality that is very complex. Reality must be made into some simple piece of information for a person can process it. Then the information is proceed and

assembled by members of the organization, so at the end the organization understand overall the complex reality.¹¹

The Strategic management models proposed by Davenport above, emphasize it's time to leave organization traditional models and move to a model that more meet the challenges in an Knowledge Economy Era and Networked Innovation. Hopefully this short paper can be inspiring people to understand the compelling reason for implementing this model, and it will emerge more empirical studies in terms of developing alternative new models.

References

- [1] Tapscott,D. Rethinking Strategy in a Networked World. *Strategy & Business Issue* 24.Thrid Quarter, 2-8.2001.
- [2] Davenport, Thomas H,et.al. *Strategic Management in the Innovation Economy : Strategy Approaches and tools for dynamic innovation capability*. Jhon Willey.(2006)
- [3] Op.cit
- [4] Barney, Jay. B,. Firm Resources and Sustained Competitive Advantage. *Journal of Management*.(17)1. P.99-121.(1991) ; Simon, A. Resources, Dynamic Capabilities and Australian Business Success. *Journal of Global Business and Technology*, Vol.5 No.2, 13-30.(2010) ; Ahenkora, Kwaku&Adjei Esther. A Dynamic Capabilities Perspective on the Strategic Management of an Industry Organization..*Journal Of Management and Strategy*. Vol.3. No.3.(2012).
- [5] Davenport, Thomas H,et.al. *Strategic Management in the Innovation Economy : Strategy Approaches and tools for dynamic innovation capability*. Jhon Willey.(2006)
- [6] Hatch, Mary Jo.*Organization Theory : Modern, Symbolic and Postmodern Perspective*.Oxford.2013.
- [7] Robbins,Stephen P.*OrganizationTheory :Structure,Design and Applications*. Prentice hall.New Jersey USA.1990.
- [8] Mele, Domenec&Guillen, Manuel,.The Intelctual Evolution of Strategic Management and its Relationship with ethics and social responsibility.*Working Paper WP*. No 658. IESE Business School.University of Navarra. (2006).
- [9] Davenport, Thomas H,et.al. *Strategic Management in the Innovation Economy : Strategy Approaches and tools for dynamic innovation capability*. Jhon Willey.(2006) ; Davenport, Thomas, H &Prusak, L. *Working Knowledge : How Organizations Manage What They Know*. Boston : *Harvard Business School Press*. 1998.
- [10] Nonaka, I & Toyama R, The Knowledge-Creating theory revisited : Knowledge Creation as a synthesizing process. *Knowledge Management Research and Practice*.1 P.2-10. (2003) ;Nonaka, I, Toyama R and Toru Hirata,. *Managing Flow: A Process Theory of the Knowledge-Based Firm*. Palgrave Macmillan. 2008.
- [11] Op.cit