

Strategic Behavior of the Top Management for Business Frontier

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Abstract

This has to be given some directions what the strategic behavior should be for the top management against business frontier. It also has to be given what the meaning of business frontier itself is and was. The business frontier for the top management should be led by some strategic behaviors that the top management had to be faced to challenge for the each specific stages. Those are not the types of problem solving for the management strategic issues, and also those should be separated from the any type activities of operational improvement through the management organization. At this discussion, I would like to define the each economic effectiveness for the business frontier such as "Scale economies", "Scope economies", "Time economies" and "On time and common ownership of information economies". The economic effectiveness should be come up from the business environment and the managed business activities themselves.

1. What is the strategic behavior for the top management against business frontier?

There are two issues that would be the strategic behavior and the business frontier. The subject of the two issues should be quite related with each other for the business management and the business environment. The business frontier should be get over by only strategic behaviors of the top management. The top management has to face to challenge and to get over for the frontier in the each specific business stages.

A few of top management have some know how what the strategic behavior was and is against his business frontier. Such kind of know how should be figured out with only through his management experience. However, his experience has been held in the only inside of his life or in his operated business history.

As usually, the most of all top management could not show his know how by logically statement whether he had done his business with using the strategic behavior or not. Because the top management works so busy and has not have a time enough to analysis the reason of his success. Unfortunately, these things are occurring commonly. The reasons are come from the luck of study to the actual management by academic side and the luck of logical approach to academic side by the actual management. A few academic side persons could have the actual business experience but most of all could not have a chance of it. The another way, most of all top management of business players who have a successful management to the actual business field are not able to define or explain clearly for the reason for the success with the academic logical statement.

From this kind of background, I have tried to analyze for the defined strategic behavior and business frontier through my own experience for the both fields of the actual business side and the academic study side. From the analysis of both sides through my experience, the strategic behaviors of the top management for the business frontier were and are defined as follows.

The strategic behaviors of the top management which had to be faced to challenge for the each specific stages are not the types of problem solving for the management strategic issues, and also those should be separated from the any type activities of operational improvement through the management organization. The activities of strategic behavior only by the top management are that the top management has to get over uncertain and discontinuity business frontier. Then, what the business frontiers were and are.

2. Define what the business frontiers were and are.

At this discussion, I would like to define the each economic effectiveness for the business frontier and the business environment such as "Scale economies", "Scope economies", "Time economies" and "On time and common ownership of information economies". The figure of the each definition are as shown by Fig.1. From the concept of the definition, we can figure out that there are typical business style such as traditional business like [A] and the new business such as network business like [B]. For example, [A] type business enterprise were commonly in the past business environment. The business management history of "Dupont" should be told to us the

typical one that the business had expanded from single product to the diversified product and market. A good example of [B] type business enterprise should be “Microsoft”. “Microsoft” have been expanding their business with using a kind of strategic managing concept of the OS platform. The environment of economic in business world has been growing up as the economic expansion curve. It is still unknown but it could be imaged that “Symbiosis economy” would be followed after “On time and common ownership of information economies” with my personal assumption.

Appearance of effectiveness by economic factor
for business and business environment

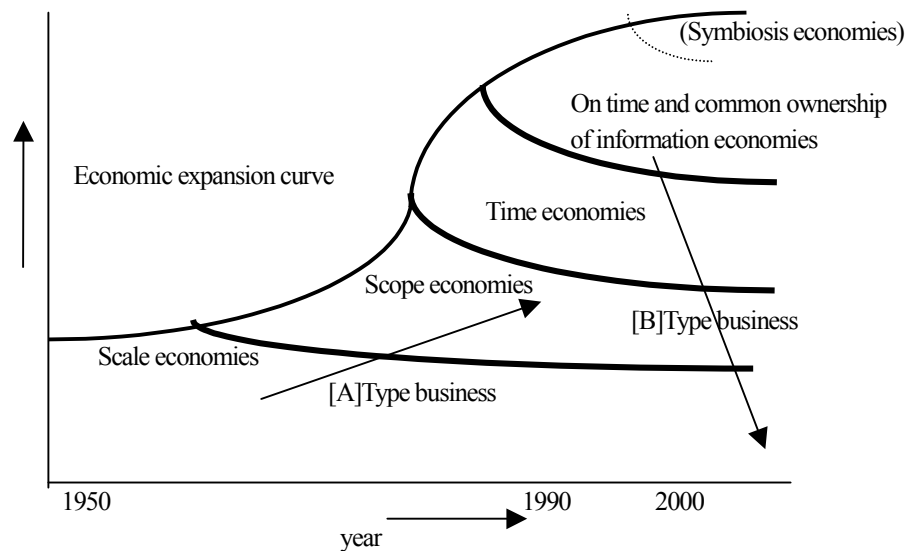


Fig.1 Trend for appearance of effectiveness by economic factor as business frontier

The economic effectiveness should be come up from the business environment and the managed business activities themselves. Those frontiers have the each different front line for the business positions from the past to the present and from the present to the future. The business positions had to and have to be shift from closed system to open system for the managing resources in each time of getting over the frontier. The Fig.2 is shown the co-relationship between the appearance of effectiveness by economic factor for the business in its environment and the realization of business activities from past to present and present to future.

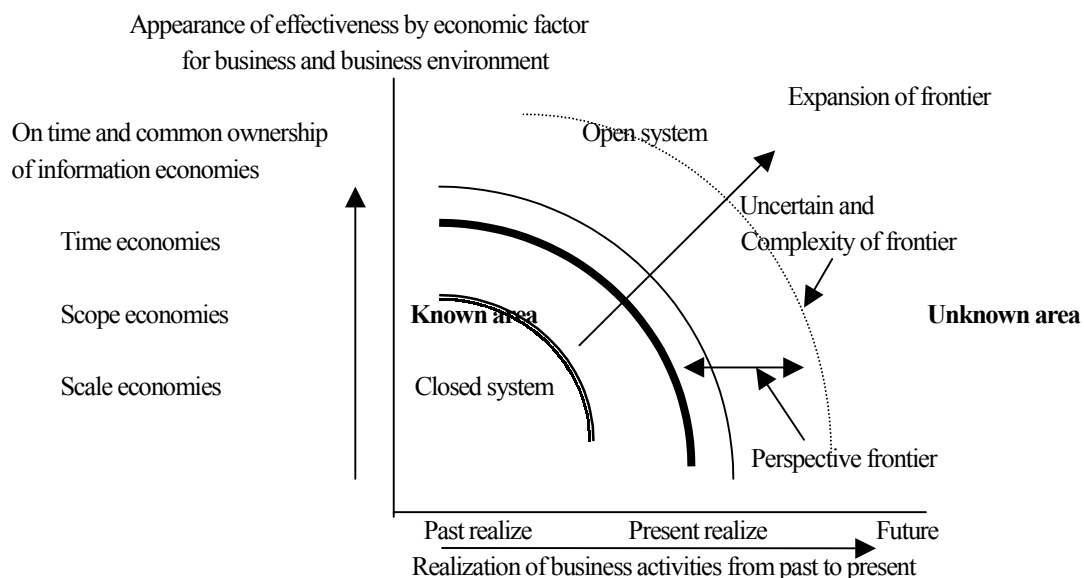


Fig.2 Positioning of the frontier for the business management

As you can see from Fig.2, the realization of business activities for the business and the business environment are faced to the uncertain and complexity of frontier. The field from the existing business to the future business is moved from the known area to the unknown area. Also, it is moved from the closed system to the open system. Between the existing business and the future business, there is the width of the perspective frontier but it should be very narrow. It is very difficult to find out the trend of business going whether it would be skimming, penetrating, expanding, growing, maturing, shrinking, substituting or not. So, we seem that some trend of business like a net business would be in the complexity.

Anyhow, the top management must challenge and get over the uncertain and complexity of the frontier in the each specific business stages. So, the top management should have a mission, a vision and a scenario to challenge and get over the uncertain and complexity of the frontier. If we could focus any main driving economic force in the business frontier, it should be a very helpful. So, I would like to get into the subject of what the main driving economic force is for the business frontier.

Through my analysis of the top management activities, business development, business strategist works and some succeeded business cases, the facts are told that the main driving economic force have been drawn by some defined economic efficiencies. These were such as “Scale economies”, “Scope economies”, “Time economies” and “On time and common ownership of information economies”. From the analysis, I found that the business frontier had been existing between the economic effectiveness of “Scale economies” and “Scope economies”, between “Scope economies” and “Time economies”, and between “Time economies” and “On time and common ownership of information economies”. Those were able to observed both of the business environment and the own business.

From the age of 1950, the business activities had been discussed as a part of the marketing management theory. At that time, the business environment and business itself had been developed and controlled by almost of the scale economies. From the age of 1950 through 1960, H. I. Ansoff had pointed out the new concept appearance for business opportunities that had been named “Diversification”. At present, we know well what the diversification is whether it has to be called as a part of A. D. Chandler’s “Scope economies” or not.

At that moment, the top management had to have decided to enter with his unbelievable behavior into the new market and the uncertain business area so called “Frontier”. If we could stand on the viewpoint of the top management at that time, we could believe that we, top management, had to get in and get over an uncertain field such as the far overseas business or such as the far related know how of market and technology from own business diversification. “Frontier” had to be there. The first stage of the business management frontier could be seen as Fig.3.

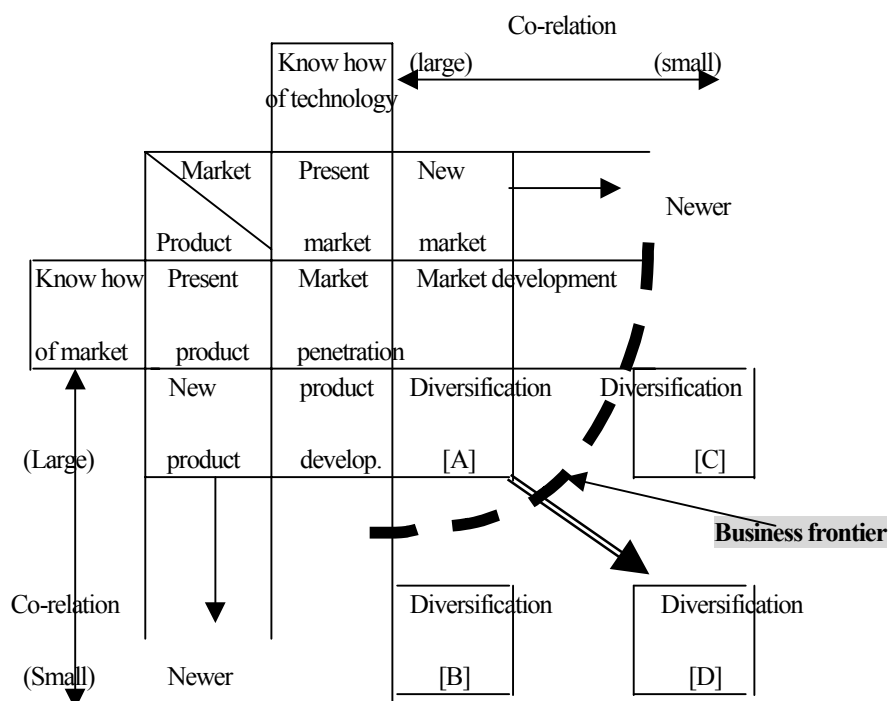


Fig.3 Matrix for business frontier and the basic concept of H. I. Ansoff
(Reference from “Strategy of international business” by Y. Kinugasa, 1987)

The concept of H. I. Ansoff was seen as the upper corner of the left hand side of Fig.3. And the business frontier could be drawn by the imaginary line between “Diversification [A]” and “Diversification [B],[C],[D]” like as in the Fig.3.

Y. Kinugasa had pointed out the necessity of the newest approach for the strategy of international business which should be moved from the diversification [A] to the diversification [B],[C],[D] in his article of “Strategy of international business (1987)”. Those moving for the diversification had been motioned to the direction such as overseas business development or almost no-related business area from the present own market and product domain. Regarding the business of the diversification [B],[C] and [D], I could say that only the top management had have a risk to get enter those diversification. Especially, we can believe that the business area of diversification [D] should be required very high motivation so called the strategic behavior of the top management.

By our experience through management, we can drive a business almost through our own business organization regarding the diversification [A], but we can not do anything regarding the case of the diversification [B],[C] and [D] except with the decision and direction of the top management. So, I have defined the business frontier which should be drawn between diversification [B], [C] ,[D], and the matrix for the basic concept of H. I. Ansoff. From this kind of view point, we could say that the appearance of effectiveness by economic factor for business and business environment for the diversification [B], [C] and [D] should be defined as “Scope economies”.

As the same way, if we focused for the next generation to shift from “Scope economies” to “Time economies”, we could find that the economic effectiveness had to be come up to the business environment and to business itself such as “Speed”, “Efficiency” and “Just in time” for the frontier. These factors were facing to the front line of uncertainty from the age of 1970 through 1990.

The appearance of effectiveness by economic factor of “Time economies” against to “Scope economies” and “Scale economies” for the business and the business environment can be shown as Fig.4.

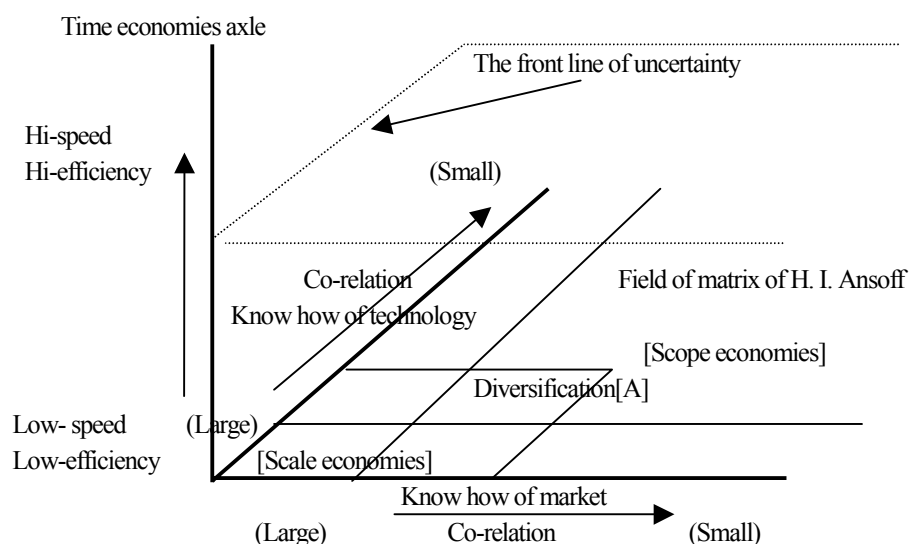


Fig.4 “Time economies” axle and field of matrix of H. I. Ansoff

As the result of getting over for “Time economy”, it has required to the business management as the cash flow type management for the efficiency of cash return cycle. By the case of this business management change, the enterprise which had the long stream of business flow or hi-integrated business value chain process had have an business issue. The issue is how it could be shift from the heavy requirement of capital investment for the integrated business process flows to the out source business. The out source business player who drives the business layer with the better efficiency for “Time economy” is possible to play with lower cost than integrated enterprise. Then, how the present frontier could be get over.

3. What has to do by the top management now?

Now, we are facing to the new frontier as “On time and common ownership of information economies” from “Time economies”. Such as the Internet activities, the virtual network business like the e-business and the network externalities, the business environment area are already on going subject for the top management.

The appearance of effectiveness by economic factor of “Scope economies” and “Scale economies” should be come from the base principle of “Expansion”. The other way, the appearance of effectiveness by economic factor of “Time economies” should be come

from the base principle of “Speed” and “Efficiency”. Then, what the “On time and common ownership of information economies” is. “On time and common ownership of information economies” should be come from co-efficiency of using with the same tool and the same environment for the demand side and supply side. In the past, the demand side and supply side were standing opposite in each other. However, on the stage of “On time and common ownership of information economies” is positioned as sharing with 50% and 50% of the risk and benefit between each other. The demand side and supply side are on the same platform that can be shared “On time and common ownership of information”. The appearance of effectiveness by economic factor for “On time and common ownership of information economies” is shown as Fig.5.

What the top management has to do now. The answer should be the creation of new business environment by the top management strategic behavior with new concept and new technology to the new frontier. The frontier of “On time, not in time, and common ownership of the information economies” would be get over by the value creation for the new business platform which should be bridged between the unknown or still disappeared from the present business environment and the own business competence.

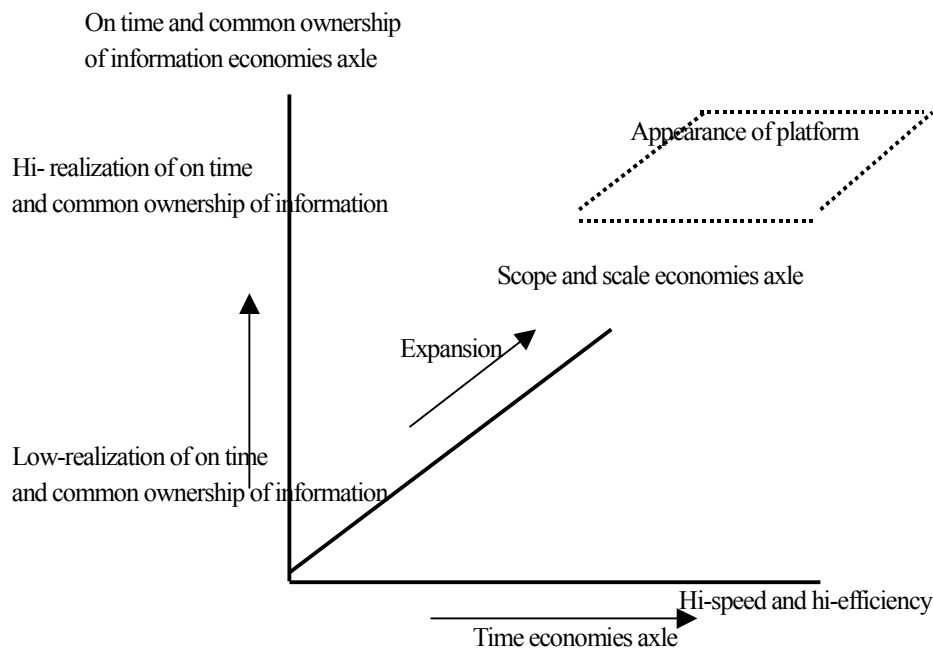


Fig.5 “Time economies”, “Scope economies” and “Scale economies” against to on time and common ownership of information economies axle

The economic efficiency in the mixed environment of “Scale economies”, “Scope economies”, “Time economies” and “On time and common ownership of information economies” is appeared typically like an efficiency of the network externalities. The network business should be one of a marketing tool to focus for the business value creation. It is not a whole answer of strategic behavior for the top management to get over his new frontier. It is one of the business tool for the solution to the economy change by the “On time and common ownership of the information economies” stage. However, we should not forgive what the main stream of economic efficiency for the own present business has not only be effected by one economic effectiveness like “Time economies” but also has to be effected by “Scale economies” and “Scope economies”.

At the case of the main business stream could be seen in any defined function of economies, we should think about what the bridges were, are or will be between the unknown business environment and the own business competence. The bridges should be “Standardization” in the age of main stream by effectiveness of “Scale economies”, “Diversification or Overseas business step” in the age of main stream by effectiveness of “Scope economies” and “Just in time” in the age of main stream by effectiveness of “Time economies”. Then, what the bridge is in the age of main stream by effectiveness of “On time and common ownership of information”. The answer will be the establishment of a new business platform with the information technology.

The new business platform will bring a new economy. The new business platform will not explain for any business process value chain of the individual enterprise. The business platform should be covered several different brick of the industries with a good activated interface in each others by the network information technology. The concept of the business platform is shown as Fig.6. This should be shown for the business frontier of today.

The phase from the back to the front is shown the individual industries from the supply side to the demand side. The phase from the

right to the left is shown the individual industries from the content side to the service side through the hard ware. The phase from the up to the bottom is shown the individual industries from the global base to the individual base. The old type enterprise had established their own value chain, integration, define the business domain in the one of brick. The new type enterprise using the net work business such as “Amazon dot com” has a kind of platform from the back to the front for service part of the individual (Person) level. However, the case of “Amazon dot com” should be a little more week than a platform which has the better know how for the business interface with the next brick such as “Fedex” because of a limited platform. “Fedex” has larger managing know how for the carrier as the part of convey, a part of hard ware and a part of settlement. Of course, it should be called a new economy leader if “Fedex” would make open system for the established platform that could use by competitors.

The next brick means the diversification area from the past enterprise. The next brick is usually controlled by the different time efficiency and information transactions than the industry of the own defined business brick. Therefor, the platform should be made a bridge between the next brick and the next neighbor’s brick with a good interface whether the individual next brick has the different time and information efficiency or not. Perhaps, the each brick might have the old type of business clusters and business layers. A bridge that could be called a platform should absorb the differentiation of any economic efficiency and make a de facto standard for individual business cluster with some slice of business layer. Again, the key of new business platform should be given a good interface for the different business clusters or industries.

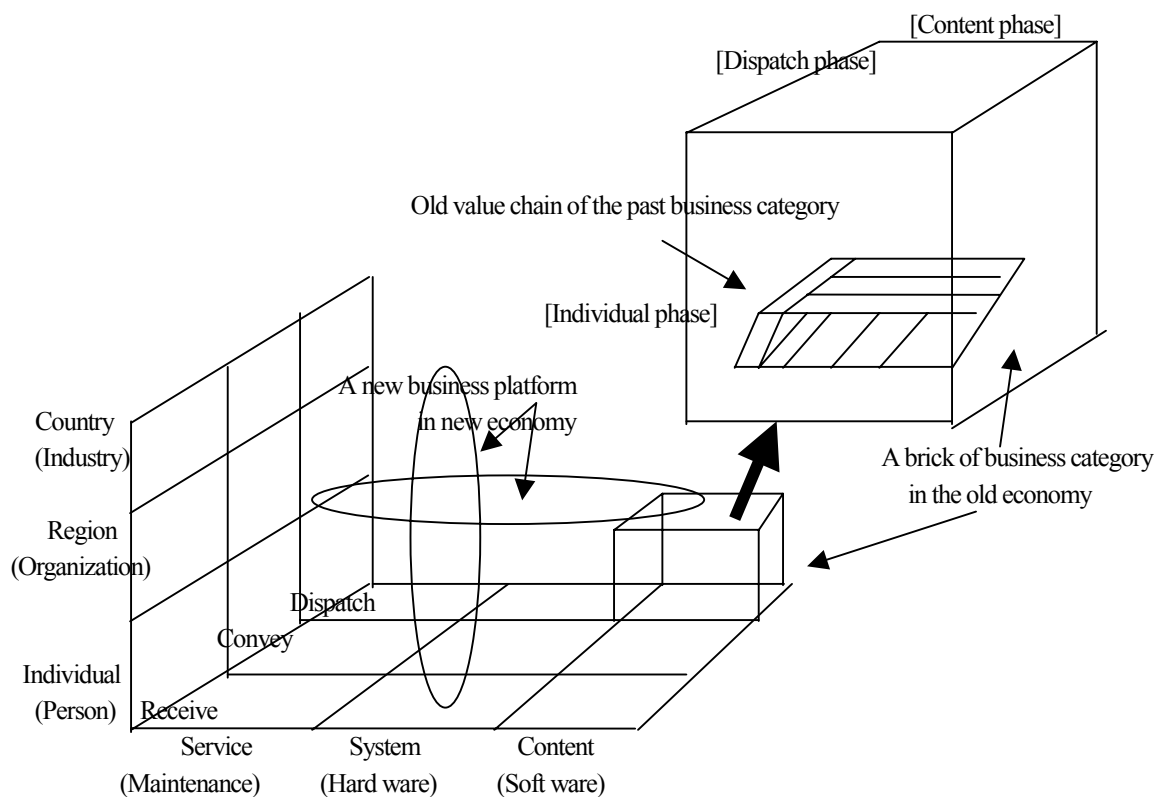


Fig. 6 The new business platform between the business environment and the own business domain.

The another point of the new business platform should be required a new development of hard ware that would be applicable with a new interface of different business. The information technology would be changed the business environment. However, the top management must think about what the key is for the new coming. The platform should not be taken a big influence with only “On time and common ownership of information economies” but also “Scale economies”, “Scope economies” and “Time economies”. This is the most important factor for the business frontier at present.

4. The conclusion

The conclusion is that the strategic behavior of top management for getting over the unknown and uncertain frontier would be required the necessity of having the mission, the vision and the scenario for the future business image. But, the frontier is not an untouchable wall to straddle against to the top management. If the top management take an action to get over with his strategic behavior for the new value creation, the frontier would be appeared clearly in the own business and an unknown business environment.

The business management frontier is not a front of the linear equation from the past, but it has to be a non linear and discontinuity. However, we have over come in every time for the unknown and open system business environment. The concept of the each economic effectiveness for the business frontier such as “Scale economies”, “Scope economies”, “Time economies” and “On time and common ownership of information economies” should be useful for the top management when he would face to the unknown business environment.

There are nothing of all any equal business whether it might be similar one or not. Therefore we must think the economies effectiveness individually for the business unit where the position is the best. And also we must think where the core competence of own business could be played the best in the main stream of the typical economic effectiveness. At present, the common business environment is struggled within the mixed condition of “Scale economies”, “Scope economies”, “Time economies” and “On time and common ownership of information economies”. However, I think that it is the best timing to get over from past condition to the new stage. The reason is why we are just start to manage the own business in a new economy so called the age of “On time and common ownership of information economies”. We can apply so many management tools such as a platform concept for the creation. We can make it if we took a strategic behavior with the top management.

Reference

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 - [2] Yousuke Kinugasa; Strategy of International Business for Japanese Enterprise. Published by Nihonkeizai-Shinbun Inc. 1979
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