Chapter XII

Strategic Implications of Causal Mapping in Strategy Analysis and Formulation

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Abstract

The formulation and implementation of effective strategy at every level within an organization requires that those involved in the process have not only a good overall understanding of the present situation, but also an understanding of the underlying cause and effect relationships which underpin strategy at those levels. This includes understanding the interactions, which occur between the levels of strategy in an organization as well as the benefits of a firm’s executive information system. Using various mapping techniques, e.g., concept mapping, cognitive mapping, causal mapping, we investigate the factors that made WorldCom, Inc., a one-time leader in the telecommunications industry, implode and find itself fighting in courts for its very survival.

Introduction

The strategy formulation process for an organization can be described as consisting of the integration of three perspectives of strategy: corporate, business, and functional
(Hax, 1996). The process begins at the uppermost level of an organization, usually with the Board of Directors at the corporate level, and in conjunction with executive management, down through the business level, and finally ending at the functional/operational level. Corporate strategy deals with decisions that by their nature should be addressed with the fullest scope encompassing the overall firm. Business strategy aims at obtaining superior financial performance by seeking a competitive positioning that allows the business to have a sustainable advantage over the firm’s competitors. Functional strategies not only consolidate the functional requirements demanded by the corporate and business strategies, but also constitute the repositories of the ultimate capabilities needed to develop the unique competencies of the firm. According to Hax (1996), strategy formulation for the organization is intended to frame all of the key strategic issues of the firm through a sequential involvement of the corporate, business and functional perspectives. The strategy formulation process can also be extended to exist within these perspectives as resources and systems are marshaled to implement that chosen strategy.

When beginning to formulate the overall strategy, concept/cognitive mapping can be used to develop a general understanding of the relationship that exists both between these perspectives/levels of the organization and within these perspectives. Within each level we can use causal mapping to help identify cause and effect relationships that can exist due to various courses of action or of inaction. By looking at these cause and effect relationships that exist among the elements at each level for a given situation, changes in the formulation of strategy (how these elements are used) can be undertaken to correct any unwanted (negative) consequences of a chosen strategy.

In this respect, we use the mapping technique approach to accomplish two objectives. The first is to frame the firm’s situations and the elements that surround it. The second is to pinpoint the deficiencies by looking at specific cause and effects and determine a course of action that would correct those deficiencies and allow for the proper allocation of resources throughout the firm.

We begin by first framing the firm’s situation and the elements surrounding that situation. We accomplish this by introducing the skills and concepts required in analyzing and formulating a firm’s strategy through its various levels. The skills introduced and developed are those of synthesis and analysis. These skills are important both in decomposing strategy into its basic elements and in understanding the relationship that exists between these elements. The concepts introduced are those of Critical Success Factors and Critical Value Activities. These concepts are relative to competitive conditions that exist and issues of the existence of organizational silos as they relate to structure. These skills are important to the development of a general understanding of the circumstances surrounding a given firm’s situation and the cause and effect relationships that exist among the levels of strategy from the corporate level through the functional level. Introduced, also, are the concepts of information symmetry and dependence and an explanation how they affect the structural and reporting relationships of the firm and the implementation of strategy through structure.

From here, we go onto our second objective, which is to see where strategy went awry and to be able to diagnose the situation and determine a course of action which would correct any deficiencies and allow for a reallocation of resources. Beginning with an issue
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