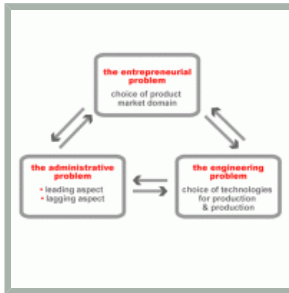


strategic choice typology



characteristics

author:	Miles, Raymond E. and Snow, Charles C.
country:	United States
period:	1978
type:	model
role:	consultant and manager
activity:	analyse
topic:	strategic management and org. design & development
abstr. level:	environment
perspective:	learning
status:	for review
module:	strategic management
comments:	1

description:

In 1978, the American academics Miles and Snow developed their strategic choice typology and helped launch the configurational branch of business strategy. Their study brought together the situationalist and the universalist camps who were disputing how companies should compete in a given market. For situationalists, generic strategies were intrinsically flawed because no two strategic settings were ever the same. For universalists, general laws existed that made rules applicable irrespective of circumstance. Miles and Snow claimed that four fundamental strategy types exist in any given business environment so that companies could do well in an industry in more than one way, but not in a multitude of ways.

Miles and Snow based their findings on a study of 84 firms in four industries:

1. college text book publishing
2. electronics
3. food processing
4. hospitals

They examined how these organisations adapted over time to changes in their environment. They defined strategy as a consistent pattern of decision making, and regarded the organisation's behaviour as the best identifier of its strategy. Firms not only respond to changes in the environment. They also act to influence and co-create them, but are limited in making changes by the constraints from top management's attitudes, beliefs and access to information. Managerial choice defines and polishes an organisation's structure and process. A developed strategy-structure configuration limits the organisational capacity to set-up activities outside the normal realm of operations. The cost of deploying non-routine activities becomes too high to sustain over a longer period of time.

The adaptive cycle is the core model of the Miles and Snow strategic choice typology and defines the dynamic process in which organisations continually adjust internal interdependencies to environmental opportunities and risks. They defined three key problems that organisations must solve in order to effectively position themselves:

1. *entrepreneurial problem*

Top-management needs to select the domain in which the company will compete, and allocate appropriate resources to the identified product-market combinations.

2. *engineering problem*

Once the products or services are identified, a technical system must be developed that can produce and deliver these goods. The production system itself needs to be controlled and requires the installment of proper information and communication flows.

3. *administrative problem*

The administrative aspect focuses on rationalising those activities that "successfully solved problems faced by the organisation during the entrepreneurial and engineering phases" (the lagging aspect), as well as on formulating processes that allow the organisation to innovate (the leading aspect).

Adaptation often occurs by moving sequentially through the entrepreneurial, engineering and administrative phases, but can start at any of these three. The three adaptive problems are closely related whereas the other two factors constrain the third factor.

In a single industry, organisations can be categorised according to a limited number of organisational forms, each with its own specific adaptation pattern:

DEFENDERS

Organisations that have a narrow product-market focus to secure a stable market niche. The main entrepreneurial task is to aggressively defend its prominent position in the chosen niche. Its main engineering challenge is to achieve technological efficiency. The defender appears "lean & hungry" since few resources are under-utilised. Planning is centralised and follows the classical sequence of plan, act and evaluate. The main risk is technological obsolescence.

PROSPECTORS

Organisations that continually search for new market opportunities. Their domain is broad and in a constant state of development. The main tasks are maintaining flexibility in technological and administrative components. Technologies are less formalised and more embedded in the minds of the organisation's personnel. Planning is based on incremental adjustments based on feedback from experiments. The main risk is overextending into too many product-markets.

ANALYZERS





Organisations that operate in two types of product-market domains, one that is relatively stable and the other in flux. The aim of these organisations is to minimise risk and maximise profit opportunities. Marketing is seen as the crucial department that balances the existing and the new. The major drawback of this organisation type is the higher cost of running two parallel technical systems making the organisation incapable of being 100% efficient or 100% effective.

REACTORS

Organisations that lack an effective response to changes in the organisational environment. Reactors do not have a distinct strategy, but react on an ad hoc basis. The structure-process configuration is not aligned with the desired strategy and creates organisational instability that can

result in its collapse over time.

assets:

	adaptation cycle ProvenModels • editor PM • version 0.1 • 35 KB
	environmental uncertainty scan ProvenModels • editor PM • version 0.1 • 140 KB
	strategic type characteristics ProvenModels • editor PM • version 0.1 • 135 KB
	strategic type survey ProvenModels • editor PM • version 0.1 • 107 KB

pros:

- The principal benefit of a classification scheme is to provide an overview by listing relevant variables. Miles and Snow's diagnostic tool assesses the relationship between organisations and their environments by connecting the environment with an organisation's strategy, its structure and performance. It made explicit the tension felt by many organisations trying to balance static efficiency and dynamic effectiveness.
- Their framework is generic and can be applied across different industries. Although their initial sample was small, consequent empirical research validated the correctness of the typology. As in other contingency studies, Miles and Snow demonstrated that the greater the environmental turbulence, the more loosely organised the organisation needs to be. In addition, they made explicit that defenders can carve out pockets of stability even in a turbulent industry.
- The strategic choice typology emphasised the importance of aligning organisational aspects and maintaining a consistent configuration over time. Highly successful firms continually develop stronger alignment between their strategies, processes and structures and try to understand the underlying mechanics of the links between these elements. Creating strategic clarity allows the reduction of coordination costs; tighter feedback loops facilitates faster strategic adaptation. Other well known strategic positioning frameworks, such as Porter's generic strategies and Traacy and Wiersema's three strategic types, used these insights later.
- The framework of Miles and Snow strongly emphasised the great influence of top-management in the adaptation processes. Top-management drives change. At the same time they limit the range of strategic options under consideration by their personal preferences and other cognitive limitations. In other words, managerial choice greatly matters.

cons:

- Mintzberg concluded that Miles and Snow basically offered two archetypes-- defenders and prospectors that were similar to Burns & Stalker's organic and mechanistic continuum of organisational forms. Miles and Snow's analyzers are a combination of defenders and prospectors. He regarded reactors as a collection of inappropriate responses. This conclusion means that organisations can choose only among two options. Mintzberg later identified six organisational configurations.
- Most large organisations have multiple product lines and serve customers in more than one market segment. Optimising analyser behaviour was not described in detail.
- Their typology should not be applied to conglomerates that span multiple industries. It focused on the ways an organisation can best position itself within a given industry.
- The typology did not include networks as a structural option. Miles and Snow later corrected this omission by describing not only firm-specific capabilities, but the capabilities of the organisation's network partners as well. To this end, they introduced meta-capabilities of collaboration, delegation and coordination as new concepts.

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