
A STRATEGIC MANAGEMENT MODEL FOR SERVICE ORGANIZATIONS

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Abstract

This paper provides a knowledge-based strategic management of services model, with a view to emphasise an approach to gaining competitive advantage through knowledge, people and networking. The long-term evolution of the service organization is associated with the way in which the strategic management is practised.

Keywords: Strategic management, Service organizations, Conceptual model, Knowledge-based society, Collaboration, Value co-creation.

1. INTRODUCTION

Since its conception as autonomous area of inquiry in the early twentieth century, management has undergone a complex process of extension in applicability, as well as a constant development of concepts, methods and techniques. Moreover, due to the so-called 'knowledge revolution' management research has focused on knowledge management. As a natural consequence of this, management concepts have been spread and gradually developed in the services sector - a vast, contradictory and often unpredictable area of practice.

The diversity of the service sector makes it difficult to produce useful generalizations concerning the management of service organizations. Today's new business environment includes advanced information and communication technologies (ICT), accelerated business globalization, increased automation, and rapid technological innovations based on collaboration and value co-creation.

We can assert that the knowledge-based society is profoundly changing the management of services, in the sense of it being knowledge-driven, and relying on people's continuous development, network intense collaboration (sharing ideas and knowledge), and value co-creation so as to attain sustainable competitive advantage.

2. CHANGES IN THE MANAGEMENT OF SERVICES

The interest in studying the specific issues of services and its management emerged among marketing researchers (e.g. Bowen and Ford, 2002; Grönroos, 1994; Lovelock and Wright, 1999; Lusch et al., 2007; Metters and Vargas, 2000; Vargo and Lusch, 2004, 2008; Vargo et al., 2008; Zeithaml et al., 1985, etc.), who identified managerial implications of the service characteristics and changes.

Knowledge is the fundamental source of competitive advantage within the knowledge-based society and the core driver for innovations in service organizations. Development of ICT has created the premises for better collaboration and communication between service organizations, on one hand, and between them and their clients, on the other hand. Moreover, the “service-dominant logic” (Vargo and Lusch, 2004) entails changing the paradigm of value-added to value co-creation, of value delivery to value propositions.

In the context of knowledge-based society some of the five key facets of the service management perspective (Grönroos, 1994) have changed (i.e. customer focus, a holistic approach emphasising intra-organizational collaboration, and internal development of personnel). We have made this statement on the grounds that: (1) *the management of services is knowledge-driven* and not customer driven or market driven because (a) knowledge is the “heart” of society, of all activities, including the management of services, and (b) knowledge includes, among other things, the criteria for a company’s evaluation, which may be internal (such as efficiency or effectiveness) or external (such as environment or health); (2) *the management of services is a holistic perspective which emphasises network collaboration*, both intra-organizational and inter-organizational, since knowledge is created and transferred both within and outside the organization through various networks; and (3) *the management of services relies on people’s continuous development as indispensable for success* because (a) besides knowledge, people are the next most important core resource of the management of services which has to evolve on the knowledge spiral, (b) people learn throughout their life (lifelong learning), (c) learning may occur inside and/or outside the organization, and (d) people could learn traditionally – devoid of electronic devices, as well as through electronic learning (e-learning) or mobile learning (m-learning) – using ICT.

The specific changes we have identified above, along with the service organizations’ need to practice strategic management are reasons for trying to revise some of the paradigms in strategic management with a view to adapting them to the new realities of services within the knowledge-based society.

3. A MODEL FOR THE STRATEGIC MANAGEMENT OF SERVICE ORGANIZATIONS

We propose a possible model for the strategic management of service organizations with a view to emphasising how competitive advantage can be gained through knowledge, people and networking. Thus we adapt traditional theoretical frameworks or models for strategic management (e.g. Daft, 1992; Istocescu, 2005; Learned et al., 1990; Nicolescu et al., 2003; Pearce and Robinson, 1991; Rue and Holland, 1996; Russu, 2000, etc.) to the new reference scenario. There is no consensus in the literature regarding the sequence of activities and phases of strategic management. Our intention here is not to criticize these models, but to try to integrate some parts of them in a new model which will take into consideration the new context of the knowledge-based society.

Starting from the premise that we need to rethink strategic management in the new light of the knowledge-based society, we may suggest that the strategic management of services is an iterative process, based on knowledge shared between people and therefore (re)generated through networks, and carried out to determine the long-term evolution of the service organization.

$$E_{t-t} = f(\text{SM}) \quad (1)$$

$$\text{CA} = f(\text{K}) + f(\text{P}) + f(\text{N}) \quad (2)$$

Where E_{t-t} is the long-term evolution of the service organization, SM is the strategic management, CA is the competitive advantage, K is the knowledge, P is the people, and N is the networking.

We propose a model which includes the following phases: (1) mission statement and corporate social responsibility; (2) assessment of the company's internal and external knowledge; (3) SWOT analysis; (4) mission statement refinement and identification of the long-term organizational and societal objectives; (5) strategic alternatives (options) identification, selection, and communication; (6) strategies (global and functional) identification, selection, and communication; (7) strategic alternatives and strategies refinement; (8) strategy implementation and refinement; and (9) strategy evaluation and refinement (Figure 1).

The model begins with the *mission statement and the corporate social responsibility* of the service organization, in order to integrate the two important components for creating an ideal image of the service organization. The former is an idealistic purpose of the service organization, created in a broad sense, so as to differentiate the company from others. The latter is a voluntary concept which refers to integrating social and environmental concerns into business strategy and operations and thus should be included in our conceptual model.

The second phase of the model refers to the *assessment of the company's internal and external knowledge*. This takes into account the stakeholders (clients, employees, shareholders, managers, syndicates, financial institutions, suppliers, public administration), as well as other people (friends, family, people met by coincidence in person or virtually), in order to obtain a systemic vision about the service organization, its external environment, new developments in science and technology, highly debated topics, new discourses about society, environment, health and other values promoted within society. This is not a phase of diagnostic analysis, but rather a phase of sharing knowledge and generating ideas (whether these will be put into practice or not), which will be considered in the following phases of the strategic management model.

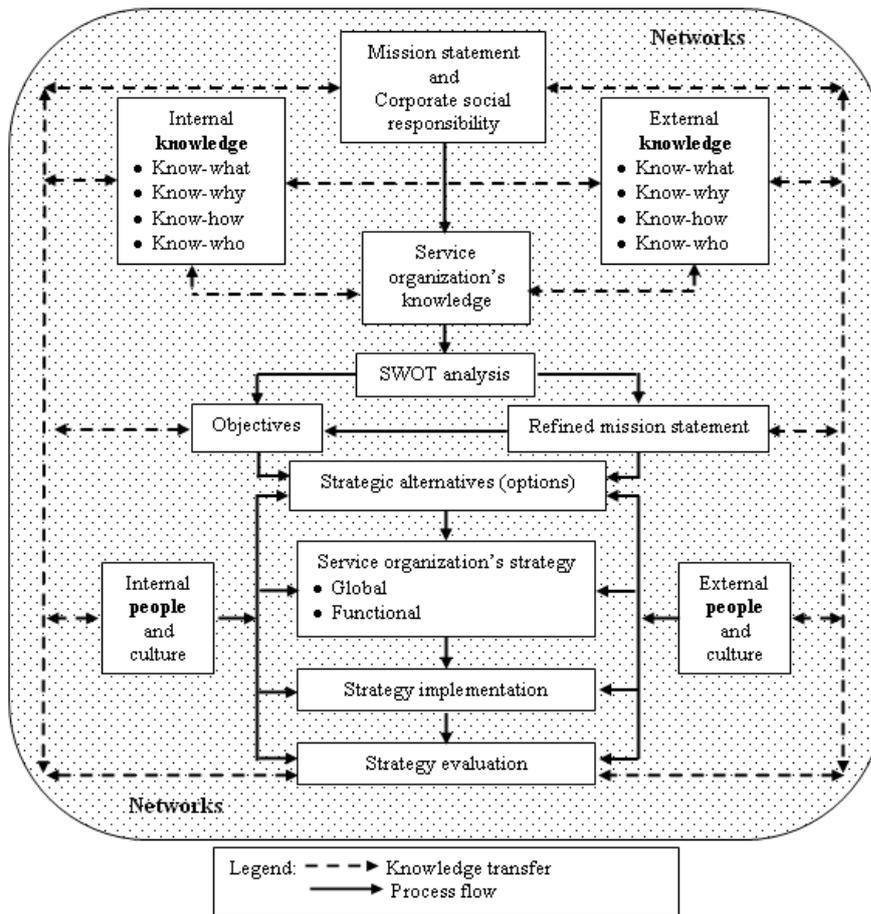


FIGURE 1 – A MODEL FOR THE STRATEGIC MANAGEMENT OF SERVICE ORGANIZATIONS
Source: Author

The *SWOT analysis* implies a diagnosis of the service organization's economic and financial viability with the aim to identify the main strengths, weaknesses, opportunities, and threats. One feature of this phase is using knowledge we referred to in the second phase in a more scientific and analytical manner.

Based on SWOT analysis the service organization will *refine* its *mission statement* (if necessary) and *establish* its *long-term organizational and societal objectives*.

Furthermore, the *strategic alternatives (options)* will be *identified* and then *selected* taking into account the results of the SWOT analysis, the service organization's objectives and internal and/or external cultural values (which may be the same or not). Practically, in this phase the service organization establishes its value proposition (its offer of value creation) for the services that may be provided, in order to find out if the clients agree to it, and to prepare to co-create value with them.

The strategic alternatives will be used to establish the *global strategy and functional strategies*, considering the viable strategic alternatives from the point of view of technical, economic, environmental, cultural conditions of the moment. If the knowledge changes these conditions, the other ideas generated in the second phase (and evaluated as not being viable) may be again considered for refining the strategic options and strategies. Also, in the phases of *implementation* and *evaluation* of the strategy, new knowledge may determine its refinement.

Within each of the phases of the model people will be connected through networks, at different levels of accessing knowledge, and therefore the process may be reiterated and strategies changed any time during the strategic process. Moreover, the use of ICT will allow cooperation through computer applications, simulations and games, which may be helpful for the decision-making process.

A service organization's stage of life, its financial capability, size, types of services provided, people's availability, people's creative and thinking skills - are all elements that may influence the strategic management process. Thus we assume that the model proposed here may be adapted to eliminate some of the variables or, on the contrary, to include other elements too, depending on the context.

4. CONCLUSIONS

We suggest in this study that the strategic management of services is an iterative process, based on knowledge shared between people and therefore (re)generated through networks, and carried out to determine the long-term evolution of the service organization. Furthermore, we have proposed a possible model for the strategic management of services, with a view to emphasising an approach to gaining competitive advantage through knowledge, people and networking. This model provides a starting point for a service organization's managers to practise strategic management, and to analyse and evaluate the specific conditions (variables) within the knowledge-based society. This model can

form the basis for a well-articulated method of evaluating an organisation's capacity for knowledge absorption and utilization, as well as its potential to respond to the challenges of the new society.

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