

Testing Validity and Reliability of Classical and Contemporary School of Strategic Management

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Abstract—School of strategic management is a concept that relates to paradigm, as the common way of perceiving process of strategic management. Sharing the same beliefs, judgments, point of view and values researches form a special way – paradigm of perceiving process of strategic management. The paper is testing two school- classical and contemporary schools of strategic management out of the four schools and analyze their paradigms. This paper is testing validity and reliability of the classical and contemporary schools of strategic management. Validity is tested with content validity and reliability with internal consistency coefficient Cronbach alfa. Only if the results show satisfying level of conformance of both of the tests, constructs of the classical and contemporary school of strategic management can be taken into further statistical analysis (factor analysis) and the conclusion grasped from the data can meet the requirements of the scientific relevance and robustness.

Keywords—classical school of strategic management, contemporary school of strategic management, Croatian large firms, reliability, school of strategic management, validity.

I. SCHOOLS OF STRATEGIC MANAGEMENT

Schools of strategic management are actually schools of thought, as one of the possible ways to group the perception and understanding of process of strategic management (Chaffee, 1985; Whittington, 1993; Mintzberg, Ahlstrand, Lampel, 1998; McKiernan, 1997). Schools of strategic management present the attempt to offer the structural view of a variety of ways the process of strategic management is being processed. The criteria upon which it is possible to separate and group common point of view is based on existence of paradigm (Kuhn, 1996, p. 175) and more specifically on the emerging paradigm of strategic behavior (Ansoff, 1987, p. 501-515).

The main criteria of selecting four main schools of strategic management are active and passive approach to the process of strategic management, and historical and future trends in strategic management fields (Jelenc, 2004).

Classical and contemporary schools are two out of the four of schools of strategic management. They are the opposing schools based on the criteria of historical and future trends in strategic management. The aim of this paper is to test validity and reliability of the both classical and contemporary school

of strategic management. In this way, it would be possible to construct robust scientific conclusions based on the statistical analysis of the perception of top managers in Croatia about the way they understand the strategic management process.

A. *Classical School of strategic management*

The classical school of strategic management gathers premises of the founders of strategic management as a scientific field. There are the most basic and historically the oldest approaches in handling top management duties and tasks. Although the premises are shaped about eighty years ago, they represent the cornerstone of the field still valid today. The premises have been developed though out the years and almost each of contemporary premises can be tracked back to those years or is formed as the opposing premise of the one dating in the past. The detailed analysis of the premises of the classical school of strategic management is following.

B. *Contemporary School of Strategic Management*

Contemporary school of strategic management embraces ideas and movement that are the topic of the current discussions in the strategic management field. The ideas presented in this school have developed during extended period, but their popularity and acceptance have just started to accelerate. There are two distinctive directions of this school: cognitive notion and importance of collaboration. The latter, analyze specific elements of the process of strategic management. The knowledge gained in the fields of psychology, anthropology, and biology helped to put a different light on the understanding and managing process of strategic management.

The following characteristic is the importance of collaboration. It has advantage over the competitive fight. Understanding oneself and the others is the key feature in the process because competition weakens all the players (Chaharbaghi, Willis, 1998, p. 1021.). In that way, it is more important to learn how to distinguish from others, collaborate with eachother, and in that way find a way to win.

C. *Research design*

Research design took population of large Croatian firms that have 250 and more employees. The questionnaire was distributed to top managers asking to state anonymously their conformity to the statements concerning basic strategy issues, actually premises of four school of strategic management. The

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research was taken from October 2006 up to July 2007. Out of the 401 large Croatian firms (www.hgk.hr) we received 127 answers which makes high 31, 67 % respond rate. This rate is considered extremely high concerning the other study (Denison, Hart, 1987, Milliken, 1990 in Tegarden, Sarason, Banbury, 2003, p.5). Table 1 gives the elementary statistical data about two basic descriptive statistical values: mean and standard deviation of the research sample. The interpretation of the results will ask for a detail analysis in comparison to the results of other schools of strategic management.

Table 1. Mean and standard deviation of the classical and contemporary school of strategic management construct

Item Statistics			
	Mean	Std. Deviation	N
Class49	3,3071	,74014	127
Class50	2,4724	,97449	127
Class51	3,4252	,75087	127
Class52	3,3465	,73870	127
Class53	2,5984	,93656	127
Class54	3,3307	,84567	127
Class55	2,6772	1,12604	127
Class56	3,1890	,73173	127
Class57	3,0551	,75915	127
Class58	3,0000	,75593	127
Class59	2,4331	,82222	127

Item Statistics			
	Mean	Std. Deviation	N
Contempor84	3,0866	,78703	127
Contempor85	3,4882	,74393	127
Contempor86	3,3465	,75989	127
Contempor87	3,2283	,95277	127
Contempor88	2,6220	,94221	127
Contempor89	3,0000	,79682	127
Contempor90	3,0551	,81948	127
Contempor91	3,2835	,73352	127

Source: Empirical data

II. TESTING VALIDITY OF SCHOOLS OF STRATEGIC MANAGEMENT

The validity was tested by content validity. It is a test whether the premises in the questionnaire represent the ideas, thoughts of authors that form the paradigm of classical and contemporary school of strategic management. The premises are formed from the theoretical knowledge of strategic management and therefore should be put in relation to the specific author, paper, and idea. Two professors of strategic management checked the content of the statements, while three top managers were checking the matter of logic of thinking of top managers when answering these statements. The following are presented the premises, explained the idea of the premise, and noted source of literature.

2.1. Testing validity of Classical Schools of strategic management

Strategic orientation derives from the analysis of external factors and factors within the firm.

According to the classical school of strategic management, there are two appraisals: external and intern one. Both of them analyze just one segment of business environment in detail.

The conclusion of both of them influences the process of strategic formulation (Selznick, 1957, p. 62, 67-68, Steiner, 1969, p. 33; Andrews, 1971, p. 21; Christensen, et.al., 1985, p. 2, Ansoff, 1987, p. 103). The conclusions are combined trying to make congruence or fit between the elements in order to reach realistic and unique strategy formulation.

Managers working on strategic issues are specially educated for such a task.

Managers specialized for preparing and making strategic plans are highly educated in the field of strategy, and are familiar with forecast and scenarios, extrapolations, variety of data analysis gathered from the environment (Ansoff, 1967, p. 12).

Good strategy is prerequisite for business success.

Business success is a result of many variables among which strategy takes a very important role. A concept of strategy brings simplicity to complex organizations (Christensen, 1982, p. 554).

Without good plan, based on the analysis, there is no possibility to reach success.

Without good plan, which is based on detail analysis, there are no strong foundations for success. The success is the result of a number of preconditions, and plan is one of the most important.

While resolving problems there are several options that we consider selecting the one that is the most appropriate.

The analysis is suggesting a few options and while using deductive thinking the result is selecting just one of the options. The solution is considered unique for each of the firms (Christensen et.al, 1982, str. 164).

In our company, we follow the steps of planning by the book, from formulating, implementation up to the control.

The process of strategic management consist by definition several phases; formulation, implementation and control and evaluation. After the first stage is completed, the next one starts (Andrews, 1971, str. 23-25, 1987, str. 551).

The voice of top manager or team of top managers is the most dominating one in the process of formulation strategy.

Top manager or the team of top management is responsible for formulating, implementing and control, overall success of the strategy (Andrews, 1987). Hayes (Hayes, 1985, p.117) calls this "command-and-control" mentality allocates all the major decisions to top management. The whole field of strategic management is associated with the "point of view" of the "chief executive or general manager.

We do SWOT analysis.

By using SWOT analysis, the managers manage to grasp the current situation in the environment and within the firm (Christensen et.al, 1982).

We provide some elements for planning by forecasting.

The strategic planning implies envisioning the future in order to start with preparations for that future in the present

moment. Some of the elements of planning are beyond current period and only assumptions about the future might help in preparations for the future. Assumptions are not just single case forecasts rather projections about variety of possible outcomes in the future. The forecasts and projections are elements that should be considered when formulating plans (Steiner, 1979, p. 236; Andrews, 1987, Christensen et.al. 1982).

Planning has to be formal and explicit.

Action follows, once the strategies have been fully formulated. Only an explicit strategy can be discussed, investigated, and debated (Andrews, 1981, p.24). A strategy must be explicit to be effective and specific enough to require some actions and exclude others (Andrews, 1971, str. 37). The strategy should be as deliberate as possible (Christensen, 1982, p. 24), and consciously implemented (Christensen, 1982, p. 543) while opportunism is conceptual enemy of strategy (Christensen, 1982, p. 828-829).

Plan is implemented in strictly defined steps.

The implementation of strategy is comprised of a series of subactivities which are primarily administrative (Christensen, 1982, p. 98). Andrews lists 12 steps in implementation process regarding the time, resources, and other inputs in implementation process.

Plans do not changed after being formulated.

Plans serve as the directions when doing business. If changed the direction of the firm changes and therefore brings more confusion, inconsistency and less understanding (Andrews, 1987).

2.2. Testing validity of Contemporary School of Strategic Management

Training and specialization is very important.

Learning is the process that should never stop. Training and specializations (seminars, lectures, and workshops) are very formal way of getting the knowledge. This type of gaining new knowledge is very important for both employees and top managers (Senge, 1990, p.3).

A valuable part of our company is the tacit knowledge (employees' knowledge that is hard to formalize).

Tacit knowledge is the knowledge that employees have, but it is hard to articulate. Polanyi wrote in *The Tacit Dimension* (Polanyi, 1967, p.4 cited in Smith, 2003) defined tacit knowledge as the fact that *we can know more than we can tell*.

We work on building competitive advantages.

Success of the market depends on the sustainable competitive advantages that are very hard to identify, nourish and develop while they change during period of time (Haberberg, Rieple, 2001, p. 216-218).

Learning makes top manager successful.

Top managers' behavior is directed by their positive and negative experiences and mistakes done in the past. The nature of learning has to be double-loop learning (Mintzberg, Ahlstrand, Lampel, 1998, p. 109-110) developing style of managing according to the learning experiences.

We do business only in the narrow segment in which we are the best.

Firm has to be focused on exploring the core competences it posses in order to be among the first ones in the industry. Hamel and Prahalad coined the term core competences to distinguish those capabilities fundamental to a firm's performance and strategy (Prahalad, Hamel, 1990, p.90).

Dynamic of business is the result of top managers thinking.

The way top managers think is the way they perceive the world and the values they represent are the values that will guide them in their leadership style. If the top manager perceives the environment turbulent he will behave turbulently and impose this feeling of turbulence to his employees.

Dynamic of business is the result of thinking of all employees.

Top manager should empower the employees in order for them to participate in the proposing and developing ideas and innovations. Depending on the firm's culture and motivational impulses, employees' contribute the firms' accomplishment of goals and strategies.

The intellectual capital is the most important source of strategy.

It is often stress that people, their skills and capabilities are the cornerstone for the future of the firm. Intellectual capital represents the sources of human, organizational and consumer capital.

III. TESTING RELIABILITY OF SCHOOLS OF STRATEGIC MANAGEMENT

A questionnaire is known to be reliable to the degree that it is free from error and provides information about examinees' "true" test scores and to the degree that it provides repeatable, consistent results. The reliability was tested by internal reliability test.

3.1. Testing Reliability of Classical School of Strategic Management

The Cronbach alpha for the construct of classical school of strategic management was 0.776, which is considered on the level of acceptance. The recommended level of Cronbach alfa coefficient should be above 0.800, but the level of 0.7 (Nunnally, 1978) or even the level of less is tolerable (Santos, 1999, p.3). The Cronbach alfa is applied to the whole construct, not on separate premises.

Table 2. Item-total statistics of classical school of strategic management construct

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Class49	29,5276	22,680	,478	,344	,755
Class50	30,3622	20,788	,547	,390	,744
Class51	29,4094	22,863	,442	,230	,758
Class52	29,4882	22,887	,448	,311	,758
Class53	30,2362	21,610	,472	,351	,754
Class54	29,5039	23,093	,343	,257	,769
Class55	30,1575	20,673	,455	,290	,759
Class56	29,6457	22,691	,484	,344	,754
Class57	29,7795	23,110	,399	,314	,763
Class58	29,8346	23,028	,414	,326	,761
Class59	30,4016	23,798	,265	,180	,777

The construct of classical school of strategic management, with all its premises has Cronbach alfa value around 0.7, and therefore it is not necessary to exclude some of the premises from the construct (Table 2). The factor analysis (pattern matrix) will demonstrate which premises do not have clear communalities while forming construct of classical school of strategic management.

3.2. Testing reliability of contemporary school of strategic management

The Cronbach alpha for the construct of contemporary school of strategic management was 0.821, which is considered reliable. Table 3 demonstrates the individual values of each premise when if premise is about to be deleted. One can depict that there is possibility to exclude the premise contempor88 in order to raise the Cronbach alfa for some level of values.

Table 3. Item-total statistics of classical school of strategic management construct

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Contempor84	22,0236	15,372	,509	,321	,805
Contempor85	21,6220	15,443	,536	,392	,801
Contempor86	21,7638	14,341	,732	,599	,775
Contempor87	21,8819	14,057	,583	,376	,795
Contempor88	22,4882	16,125	,280	,116	,841
Contempor89	22,1102	14,559	,647	,464	,786
Contempor90	22,0551	15,322	,489	,288	,807
Contempor91	21,8268	14,954	,641	,460	,788

IV. INSTEAD OF CONCLUSION

School of strategic management could be a valuable concept in order to offer a comprehensive approach of strategic management direction in understanding process of strategic management by top managers. The classical and competitive school of strategic management is two out of the four schools of strategic management suggested by Jelenc (Jelenc, 2004). Testing validity and reliability data reached by empirical research is the prerequisite for further statistical analysis on the way to reach scientific conclusions. Data were tested by content validity, both by the strategic management professors (academia) and top managers in the firms. The premises were supported by the theoretical sources of

knowledge in the literature of strategic management. Reliability was tested for internal consistency. The Cronbach alfa coefficient is 0.776 for classical and 0.821 for the contemporary school of strategic management. While the other citations showed cases of Cronbach alfa value lower than 0.7, the empirically tested internal consistency could be considered acceptable. The next step in testing constructs would be testing of all schools of strategic management and providing ultimate factor analysis, as the proof for the validity of the whole construct of schools of strategic management.

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