

**The Impact of Ansoff's Strategic  
Management  
Theory on the Management of Sport  
Organization**

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# The Impact of Ansoff's Strategic Management Theory on the Management of Sport Organizations

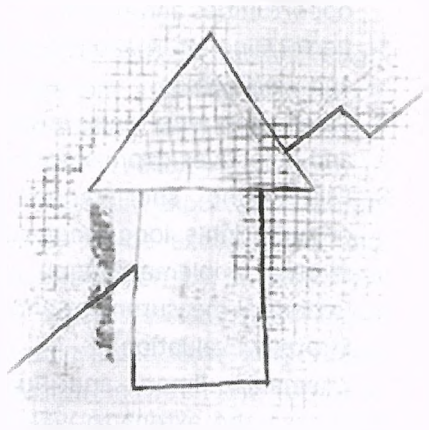
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## Introduction

Sport managers must deal with periods of decline, governmental mandates and guidelines, and financial difficulties. Also, emphasis must be on placing the athletic department in a competitive position in changing environments because athletic programs have evolved to a point where they compete for a segment of the entertainment market. If athletic departments are to respond, they must anticipate change and adapt programs and resources to meet their mission and objectives (Bucher, 1987). Strategic planning may help athletic departments anticipate and respond effectively to their new situations, and develop strategies necessary to achieve the athletic department's mission and objectives (Dyson, Manning, Sutton, and Migliore, 1989; Sutton and Migliore, 1988; Smith, 1985; Kriemadis, 1997; Kriemadis, Emery and Puronaho, 2001).

The significance of strategic planning for the survival of the organization emerged from the demands of the turbulent environment of the 60's and 70's. Pearce and Robinson (1985) defined strategic planning as the process of formulating, implementing, and evaluating decisions about organization's future direction.

They also suggested that the strategic planning process itself consists of a set of steps:

1. Determining the culture, policies, values, vision, mission, and long-term objectives of the organization.

2. Performing external environmental assessment to identify key opportunities and threats.
3. Performing internal environmental assessment to identify key strengths and weaknesses.
4. Developing long-range strategies to achieve the organization's mission and objectives (from step 1 to step 4 is called Strategy Formulation).
5. Establishing short-range objectives and strategies to achieve organization's long-range objectives and strategies (step 5 is called Strategy Implementation).
6. Periodical measurement and evaluation of performance (step 6 is called Strategy Evaluation).

Kriemadis, Emery and Puronaho (2001) conducted a research to determine the extent to which the strategic planning process described previously is being used in United Kingdom university athletic departments. Only 59.5% of the athletic departments may be classified as strategic planners since only that percentage met the criteria of: having formalized written, long-range plans; having assessed the external and internal environments; and having established strategies based on departmental mission and objectives. Kriemadis, Emery and Verdis (2003) concluded that by recognizing and analyzing key variables in the strategic planning process, sport managers will be better able to: (a) establish and periodically review mission and objective statements; (b) identify external and internal variables and their interrelationships; and (c) formulate, implement, and evaluate their strategies. The identification of these variables will contribute to the development of realistic decisions in light of their future consequences.

### ***Purpose of the Study***

Due to the fact that strategic planning theory is very important to the survival and future development of any organization, the purpose of this study was to examine the Ansoff's Strategic Management Theory and to explore its impact on the management of sport organizations.

### ***Ansoff's Strategic Management Theory***

According to Ansoff and McDonnell (1990), as the environmental turbulence levels changed, management developed the following systematic approaches to dealing with the increasing unpredictability, novelty and complexity (long range planning, strategic planning, strategic

posture management, strategic issue management, strategic surprise management):

In **long range planning**, the future is expected to be predictable through extrapolation of the historical growth. Management assumes that future performance should be better than in the past and the long range process produces optimistic goals which are not fully met in reality.

In **strategic planning**, the future is not necessarily expected to be an improvement over the past, nor is it assumed to be extrapolable, and consequently, strategic planning replaces extrapolation by an elaborate strategy analysis (see the strategic planning process six steps previously mentioned). Ansoff and McDonnell (1990) concluded that long range planning responds to the needs of the organization when the future is extrapolable from the past while strategic planning becomes necessary when future challenges become discontinuous.

In **strategic posture management**, general management capability planning is added to strategic planning due to the fact that the success of the external strategy will depend on the internal capabilities of the organization. General management capability consists of the following five components:

- (a) Qualifications and mentality of the key managers.
- (b) Social climate (culture) within the organization.
- (c) Power structure.
- (d) Systems and organization structure.
- (e) Capacity of general management to do managerial work.

As environmental turbulence increases, the organization implements real-time systems called **strategic issue management** with the following ingredients:

- (a) A continuous surveillance of the technological, economic, political, social and business trends.
- (b) The impact and urgency of the trends are estimated and special task forces are dealing with the highly urgent issues with far reaching effects.
- (c) The list of the issues and their priorities is kept up-to-date through periodic review by the top management.

Issues identified through environmental surveillance will differ in the amount of information they contain. They could be either strong issues or weak issues. When the turbulence level is high, the organization should

start its response while the environmental signals are still weak (*weak signal issue management*).

In *strategic surprise management*, the previous strategies and plans do not apply, the challenge is unfamiliar, and there is a flood of new information to process and analyze. Some issues will not be identified by the top management and task force and become strategic surprises. A strategic surprise is an issue which arrives suddenly, unanticipated, and poses novel problems in which the organization has little prior experience. Also, the response is urgent and cannot be handled by the normal systems and procedures.

Ansoff and McDonnell (1990) concluded that the increasing turbulence of the environment has led organizations to devise gradually more complex, rapid and sophisticated systems which were described above. The real-time systems such as strategic surprise management and strategic issue management, are more appropriate for high turbulent environments whereas the positioning systems such as long-range planning, strategic planning and strategic posture planning, are used in more stable and less turbulent environments. The selection of the system combination for a particular organization depends on the turbulence characteristics of the environments in which it competes.

### ***Organization and Environment***

Drucker (1980) pointed out that organizations face new realities, new challenges and new uncertainties in the economic, political and social contexts. Ansoff (1988) concluded that in the twentieth century the environment has become more novel, complex, and unpredictable. Chandler (1962) recognized the importance of environmental turbulence as well as the importance of the alignment between the organization's strategy, structure and its environment. The importance of maintaining an alignment between the external environment and the organization has been examined by many authors. For example, Miles and Snow (1978) found that organizations with nonhierarchical structures were more suitable to rapidly changing environments.

#### ***Ansoff's Strategic Success Hypothesis***

The Strategic Success Hypothesis states that an organization's performance potential is optimum when the following three conditions are met: (a) Aggressiveness of the organization's strategic behavior matches the turbulence of its environment.

- (b) Responsiveness of the organization's capability matches the aggressiveness of its strategy.
- (c) The components of the organization's capability must be supportive of one another.

*Environmental turbulence* is a combined measure of the changeability and predictability of the organization's environment. Changeability is a combination of the following two characteristics: (a) Complexity of the organization's environment, and (b) Relative novelty of the successive challenges which the organization encounters in the environment. Predictability is a combination of the following two characteristics: (a) Rapidity of change, and (b) visibility of the future (see Table 1).

**Table 1**

<b>Environmental Turbulence</b>	<b>Repetitive</b>	<b>Expanding</b>	<b>Changing</b>	<b>Discontinuous</b>	<b>Surprising</b>
<b>Complexity</b>	National Economic		Regional Technological		Global Socio-Political
<b>Familiarity of events</b>	<b>Familiar</b>	Extrapolable		Discontinuous	Discontinuous
<b>Rapidity of change</b>	Slower than response		Comparable to response		Faster than response
<b>Visibility of future surprises</b>	Recurring	Forecastable	Predictable	Partially Predictable	Unpredictable
<b>Turbulence Level</b>	1	2	3	4	5

*Strategic Aggressiveness* is described by two characteristics: (a) The degree of discontinuity from the past of the organization's new products/services competitive environments and marketing strategies, and (b) Timeliness of introduction of the organization's new products/services relative to new products/services which have appeared on the market (see Table 2). Ansoff and McDonnell (1990) concluded that the aggressiveness level of the organization's strategic behavior must match the turbulence level of the environment.





In Ansoff's Strategic diagnosis the organization's future turbulence levels have to be determined at first, as well as the strategic aggressiveness and the organizational responsiveness which will match the future turbulence.

Strategic diagnosis identifies whether an organization needs to change its strategic behavior to assure success in the future environment. If the diagnosis confirms the need, the next step is to select and execute specific actions which will bring the organization's aggressiveness and responsiveness in line with the future environment.

The Strategic Diagnosis has been tested for validity in several doctoral dissertations by students at the United States International University. The results show that strategic diagnosis is a scientifically validated instrument for use in planning the future strategic response of organizations.

Hatziantoniou (1986) studied 59 manufacturing and wholesale-retail companies in the USA and found that companies whose strategic aggressiveness and general management capability profiles were in line with the level of environmental turbulence performed better than those who did not have this alignment.

Sullivan (1987) conducted a study of 69 Federal Agency Public Works Organizations competing under the Commercial Activities Program. He found that organizations that had a strategy that matched the level of environmental turbulence and a strategic capability that supported their strategy exhibited better strategic performance.

Salameh (1987) conducted a study of 25 banks in the United Arab Emirates and found that their financial performance was better when levels of environmental turbulence, aggressiveness of strategy, and organizational capability matched each other.

Lewis (1989) studied 22 banks in San Diego, California. His findings also confirmed that optimum financial performance occurred when the levels of environmental turbulence, aggressiveness of strategy and general management capability were aligned.

Djohar (1991) studied companies in Indonesia and found that general managers who were responsive to environmental turbulence produced significantly better strategic aggressiveness, competitive efficiency and performance for their companies than general managers who were not responsive.

Chabane (1987) studied restructuring and performance in Algerian state-owned enterprises and concluded that enterprises which matched their

strategy to the environment and supported the selected strategy by organizational capability had a better performance.

### ***Conclusions and Implications for Sport Management***

Several studies (Smith (1985); Sutton and Migliore, (1988); Dyson, Manning, Sutton and Migliore, (1989); Kriemadis (1997); Kriemadis Emery and Puronaho (2001); Kriemadis, Puronaho and Emery (2003); Kriemadis, Emery and Verdis (2003)), examined the extent to which strategic planning was used by sport organizations and university athletic departments in USA and Europe. However, according to Harvey (1982), the purpose of the development of a strategic plan (using the strategic planning process described above), is to maintain or gain a position of advantage in relation to competitors. Once the strategic plan is made, the implementation stage of the plan is the critical step. The issue of implementation was not rigorously assessed in the above mentioned studies. Consequently, it may be questioned whether the university athletic departments and sport organizations that had been identified as strategic planners, actually implement the strategic plan when making decisions concerning the commitment of department's/organization's resources toward the desired objectives.

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Based on the Ansoff's strategic management theory, the sport manager should:

- (a) Realize that no single prescription for success applies to all organizations in today's environment. Environmental turbulence is the most important factor in determining an organization's performance.
- (b) Improve the general management capability which is critical in achieving high performance. It will affect both competitive and strategic activities.
- (c) Adjust the general management capability to the level of environmental turbulence.

In turbulent environments, sport organizations need to have good operational performance as well as increased emphasis on strategic activities. Ansoff (1988) argued that effective organizations are those whose strategy and capability are aligned with the demands of the environment. Regarding the implementation phase of strategy, the sport manager should establish a formal planning committee responsible for the application of the entire strategic planning process, i.e., formulation, implementation, and evaluation. In addition, the strategic planning literature indicates that significant consideration must be given to the

development of a human resources plan and contingency plans (Ansoff and McDonnell, 1990; Ansoff, 1988). David (1989) suggested that even a well-designed strategic plan can fail if insufficient attention is given to the human resources dimension. Regarding the importance of developing contingency plans, Pearce and Robinson (1985) stated that in order for organizations to improve their ability to cope with change, they must adopt a contingency approach to strategic planning and must develop contingency plans. The success of the strategy chosen is contingent to varying degrees upon future conditions. Based on this important observation, administrators should identify scenarios, develop alternatives, and formulate contingency strategies for the university athletic department. In this way, they will always anticipate and respond to changes effectively.

Ansoff and McDonnell (1990) stated that capability planning and management of change should be added to strategic planning.

Sport managers in the light of the Ansoff's strategic theory, should:

1. Diagnose future turbulence.
2. Diagnose the present general management capability of the organization.
3. Select the organization's future general management capability which, according to the Ansoff's strategic success hypothesis, must match the future level of turbulence.
4. Select the future strategy which, according to the Ansoff's strategic success hypothesis, must match the future level of turbulence.

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