

Integrating Community Involvement Programs into the Strategic Management Process

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Abstract

The purpose of this article is to point out the inadequate focus on customers and noncustomers in strategic management literature and to highlight community involvement as a tool of strategic management. The concept of strategic management is based on solving complex problems of organizations. The essence of strategic management analysis is rooted in the concept of gaining competitive advantage on the market over other firms as emphasized by Porter's five forces of competition. Amazon's strategy however, is a customer-centric approach as opposed to a competition driven orient. Tailoring strategy towards the customer may involve building customer loyalty through community relations programs. The practice of solving community, customer, and noncustomer problems may be a strategic management tool to improve business profit and sustainability especially in this era of transparency pivoted by social media and the phenomenon of "going green". In this theoretical assessment, the writer emphasizes on the importance of a customer-centric approach to strategic management involving business-community relations and the noncustomer in a complex multicultural global business milieu.

Keywords: **Strategy, customer-centric, competition, community, multicultural.**

Introduction

Business strategies are undergirded by the concept of gaining competitive advantage over other firms on the market. Strategies of firms are structured mainly on an in-depth analysis of other firms on the market. This holds true in that, according to Bracker (1980) the word strategy was derived from “Stratego” which means “defeating the enemy by effectively using resources.” Theories that form the foundation of strategic management, Porter’s five forces competitive positioning, the resource-based view (RBV), Schumpeter’s innovation approach, and the institutional approach, are based mainly on competition against other firms, in alignment with the concept of “defeating the enemy”.

As Porter’s five forces dictate, a firm may strategize against new entrants by other firms, substitute products offered by other firms, bargaining power of suppliers and buyers based on the availability of products and services from other firms, and the number of firms offering similar products on the market (Porter, 1979). The resources-based view is similarly structured on control and improvement of resources of production to ensure competitive advantage over other firms.

The institutional approach which constitutes a foundation of strategic management and forms the foundation of the analytical tool PESTLE (Politics, environment, social, technology, legal, economic) although factorizes in elements of society, essentially focuses on the laws, economic, and political structure within countries and not the noncustomer or community problems. A SWOT (strength weakness, opportunities, and threats) analysis is structured on a firm’s internal resources, threats posed by other competitors or political factors, and opportunities such as a general economic boom on the local or global market.

A SWOT analysis and other analytical tools such as PESTLE, may focus on opportunities and threats inherent in customer demographics and behavior changes however society and cultural activities may not be their nucleus. In effect, a direct study of consumer behavior, tastes, community problems, and why there are noncustomers may not be the main focus of strategic management. As Christensen, Ojomo, and Dillon (2019) evaluated big corporations such as Apple and Samsung are interested in sustainable innovation targeted at a wealthy customer base as opposed to a market-creating innovation to find noncustomers.

In a complex world of business a concomitant of globalization and technology dissemination, organizational leaders have to devise strategies to deal with a multicultural customer and employee base. As Freeman et al. (2010) pointed out there is a broader spectrum of stakeholders involving employees, customers, noncustomers, and the community in general as opposed to the hitherto narrow framework of investors and customers.

Donaldson (1995) identified that, strategy process is the alignment of an organization with its environment. The environment of any organization is its stakeholders which in this case may also include other firms. Stakeholders are mainly customers, investors, suppliers, employees, and members of the community. Strategists' focus is mainly on the competition with other firms, and not customers, noncustomers, societal problems, and other members of its stakeholder group. This article emphasizes on the importance of focusing on a customer-centric approach, involving community relations and noncustomers, to strategic management to balance the scale, as opposed to the traditional preferential strategizing against other firms to gain competitive advantage.

The Complex Customer

Organizational leaders struggle to cope with a diverse, multicultural, and broader stakeholder dimension (Latham, 2014). 1000 CEOs from over 20 countries identified in a study that managing in a multicultural business milieu may be a difficult task in their quest to gain competitive advantage as they lack savviness to deal with such diversity (Caligiuri, 2013). The flux and integration of a multicultural global setting may require strategies geared towards efficient customer and noncustomer relations. It is not surprising that business leaders favor employees with a cross-cultural experience to improve skills and knowledge needed for innovation onto new markets (Zoogah & Abbey, 2010). A multicultural business milieu that involves a broader or cross-cultural stakeholder base including employees, customers, suppliers, community members, and government from different cultures and national background, may require a new approach or more focus of strategic management.

Creating new markets may be an innovative trend consistent with a multicultural stakeholder base. Christensen, Ojomo, and Dillon (2019) noted that organizations prefer to improve products and services that make existing customers more comfortable as opposed to creating new market or finding new customers. The target customers of many businesses is the existing and wealthy customer base that can afford an upgraded cellphone with better features and costs \$1000 instead of \$800. Strategizing to create value for the noncustomers who are priced out and cannot afford a cellphone rather than, example, Apple competing with Samsung for a specific customer group may not be a novel idea but worthy strategy for a diverse pool of noncustomers in a global setting.

Corporate Social Responsibility (CSR)

A persistent objective of community involvement may lead to a better understanding and awareness that business leaders require to respond to the needs of a flux and diverse stakeholder base reflective of globalization. Community involvement programs may be a fact-finding mission to study customers' and noncustomers' behaviors, tastes, preferences, habits, to produce according to their needs. Community relations program such as CSR may not be on the list of a strategic manager's objective although it is an effective tool to spur business growth and sustainability as research proves.

Friedman (1970), a leading economist, was opposed to the philanthropic and somewhat ethical dimensions of CSR emphasizing only on its economic and legal importance. He famously stated "*there is one and only one social responsibility of business- to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.*"

A closer look at Freidman's statement may reveal that he actually favors the concept of CSR in that, philanthropy is not a waste of resources per se, as it may prompt customers and noncustomers to return the favor or put them in a position to be able to afford products and services, investment in businesses. By the same token, using organizational resources to properly dispose harmful effects of production and promoting a safe and healthy environment as the concept of ethics implies, may be rewarding as according to Drucker (2008) businesses cannot be separated from their communities.

Despite Friedman's assessment, CSR as defined by Carroll (2015), is a holistic framework with economic, ethical, legal, and philanthropic dimensions. The essence of CSR

may be repulsed if an organization engages in a philanthropic act of donating to students' scholarship fund, however wantonly disposes off dangerous byproducts of production into community waterways. An act of philanthropy, ethical conduct, and abiding by laws have favorable economic returns.

CSR may be viewed as a community involvement program aimed at mitigating negative effects of production and solving problems that hinder community from growth and development. In the 21st century of "going green" and social media, which has improved transparency and exposed wrongdoings or otherwise of businesses, organizational leaders may have embraced CSR. As Drucker (2008) assessed, businesses are part of societal construct and CSR was created as a result of the negative consequences that operating a business may have on community and other problems inherent in our communities that may not be caused by businesses. Problems of society, such as low level of education and skills, health crisis, lack of infrastructure, not caused by business activities may still affect organizations thus the need to engage in CSR or other community development programs to mitigate such problems.

Organizations have to make profit and are pressured to do so in the short-run for their investors. However organizations are not built as a short-term endeavor. Organizational leaders strategize for the purpose of sustainability of their businesses. The support mechanism for achieving business sustainability is a viable community both locally and globally. Many organizational leaders strategize to improve the skills of their employees through education and supporting universities to research into innovative mechanisms and revamp their curriculums to fit business needs. Organizational leaders also strategize through community involvement programs to fund hospitals to help cure diseases infecting community members who represent a

would-be employee base. Employees of organizations are also part of the community thus may be infected by disease too thus stifling production through absenteeism and low performance.

Chrsitensen, Ojomo, and Dillon cited the case of Tolaram, a noodle-making company, and their long-term initiatives to develop electricity, infrastructure, sanitation, and education in Nigeria, to sustain their core business of noodle production. According to the writers, Toleram accrues a revenue of \$1 billion every year. According to Valenti, Carden, and Boyd (2014) Boeing's approach to CSR, and for that matter community involvement, encompasses supporting healthcare and education to improve the society while mitigating pollution emanating from their production and jets. Leaders of these companies understand the essence of community development.

There's substantive evidence that CSR may improve economic gains of businesses. Zeng, Luo, and Maksimov (2015) in their study assessed that the philanthropic dimension of CSR may be a strategic tool to improve stakeholders' loyalty of organizations. By the same token, fines that will drive up cost of production may be avoided if organizations abided by laws that protect employees, customers, and the environment as championed by the CSR framework. In the absence of such laws, proper ethical or moral conducts that promote human rights and environmental safety may be needed for community development, a business sustainability initiative.

Problems Are Profits

Problems persist in every society of the world. Investing in problems of society and in predominantly low income areas may be risky and any results may be in the long-term thus the refusal of organizational leaders to engage in any such ventures. A model strategy of Ford to provide cars at an affordable price, and Walmart's emphasis on low prices and quality customer

service have contributed in part to the economic growth of the U.S. (Edward et al., 2014) as low income earners or noncustomers became part of the economic process. Essentially the low cost strategy of Ford and Walmart was customer-centric as opposed to a competitive construct against other firms on the market.

Organizational leaders may strategize to be customer-centric, solve the problems of the community, alluring noncustomers, and meeting the needs of a multicultural base. Providing a variety of products at a low cost may meet the needs of a multicultural customer base. Amazon's strategy of fast and efficient delivery of a variety of products at a low cost to customers is a customer-centric strategy. Sealed Air Corporation provides better packaging mechanism to prolong the shelf life of food to help mitigate the problem of poverty (Pupkin, 2019), which according to the World Bank affects (2019) affects 730 million people living on less than \$1.90 a day.

The problem of poverty is not only manifested in food insufficiency but associated with poor quality of education, health, infrastructure, lack of economic opportunities, high income inequality etc. Quinnell (2018) noted that chief executive officers of 500 of the largest companies in the world received an average salary of \$14 million, compared to the average employee's salary of about \$40,000. It is estimated that in the U.S., the top 10% earn \$317,000 annually compared to \$16,000 by the bottom 50% (World Inequality Report, 2018). The problem is not in the U.S. alone as there's a general rise in income inequality in the world, over the last ten years (World Inequality Report, 2018). High income inequality intensifies poverty and diminishes the purchasing power of customers. A strategy of fair income distribution, and locating jobs to improve economic opportunities and spur development, is customer-centric, and may increase customer demand and create new customers.

A Customer-Centric Strategic Management Model

The purpose of strategic management is to attain efficiency in performance (Edwards et al., 2014). Organizations exist to create value for customers. Attaining efficiency in performance may be viewed as customer-driven framework aimed at creating or improving value for the customer. Strategic management is finding a solution to threats and pursuing opportunities in the business environment (Maier et al., 2007). These opportunities may be, finding new customers, ceasing on problems in the community for economic gains etc. Threats may also be losing a customer base due to poor quality of products, customer service, changing demographics etc.

A model of strategic management may be based on improving performance in the areas of value creation for customers, alluring noncustomers, and finding profits in community problems. Business strategies may be modeled in alignment with Amazon- to be the earth's most customer-friendly business, Walmart-to provide low cost variable items, and Ford's T-model strategy to provide affordable cars. That is, to pursue opportunities based on providing for a multicultural customer base in a diverse society.

In their characterization of organizations on the basis of strategy, Miles and Snow (1978) postulated that “Prospectors” seek opportunities and answer to emerging trends through innovations, to develop new products and services. “Prospectors” may seek these opportunities from an existing customer base that are wealthy and easy to study based on proven business models. “Prospectors” experiment to find a pioneering product and services (Miles & Snow, 1978). Experimenting is an expensive undertaking involving failure. *Prospectors*’ products and services thus may not be affordable to a broader customer base due to the shifting of the cost of failure on customers. *Prospectors* may do well to consider multicultural customers and noncustomers in their assessment of emerging trends and opportunities, as well as problems

inherent in communities such as poverty, lack of job opportunities, infrastructural deterioration, pollution etc.

In their assessment of a “Defender” organization, Miles and Snow (1978) noted that these businesses seek to improve and reduce the price of existing products and services. “Defenders” are limited in scope of market influence as they also target a known customer base (Miles & Snow, 1978). Defenders may not seek to expand products and services—offer variety for a multicultural customer base. Their price cut may be targeted at competing with other firms for the same customers and not necessarily alluring noncustomers. A cellphone price reduction from \$1000 to \$900 may not offer any change in demand required to lure a noncustomer. “Analyzers” are imitators of products and services already in existence (Miles and Snow, 1978). It may be the offering of a different brand of car, computer, cellphone that may be the same price. Their core target may not be the noncustomer, the problems of the community, or then the behavior of the customer per se.

Organizational strategic models may be based on;

1. Efficiency in cost and price reduction to reach new customers: Many noncustomers are priced out of products and services due to their low income level. A conscientious strategy by Ford to develop a low cost model of its cars started an economic growth in the U.S. Ford’s strategy led to the building of infrastructure, provided jobs to construction workers, steel plants, cement, wood manufacturing etc. (Christensen, Ojomo, and Dillon, 2019).
2. Efficiency in the production and delivery of a variety of products and services: A multicultural demographic have variable tastes and preferences. Understanding the changing trends of time and lifestyle and producing accordingly is the epitome of

efficient strategy. One of the reasons for the success of Amazon is its timely delivery of a wide variety of products offered to a multicultural customer base.

3. Efficiency in understanding customer needs and tailoring products and services accordingly: The depth of global customers is immeasurable. An effective strategic management tool may be a persistent study of the behaviors and lifestyles of customers and noncustomers which are bound to change with time. Community relations programs such as CSR offers an opportunity for business employees to ingratiate with community members and know the problems that they worry about most. Community relations may be a good feedback process necessary for organizational change.
4. Efficiency in the understanding of noncustomers and alluring them: Noncustomers according to Drucker (2009) constitute 70% of any business, with customers at 30%. This indicates an opportunity to be exploited. An understanding of the noncustomer may be more important than the customer by the ratio of 7:1. Strategizing to venture into the world of the noncustomer may be novel idea.
5. Efficiency in educating customers and noncustomers on the uses of products and services: In this era of technological dissemination resulting in information sharing, strategic managers may not have problems of educating customers about product uses and capabilities. There is parity in knowledge in this age of modernity and urbanization, than ever before in the history of the world. Efficiently using social media, websites, organizing workshops, online teaching, seminars, and exploiting all avenues to inform customers and noncustomers about product uses may be a customer-centric strategy.
6. New uses opportunity: Studying the customer may reveal new uses of a products and new ideas on creating value for customers. As Dees stated listening to the needs of customers

may reveal a lot more than strategists may think (Worsham, 2012). It offers insights into what customers want to accomplish, what their immediate needs are and how best to solve their needs. Different regions, cultures, and communities may require different products and services at a particular point in time. A story is told of a producer who was surprised to find out his products were being used more by a group of people and less by its intended users. He had to re-assess his product and make it more efficient for use by that group of people. Taking the time to study customer usage of a product opened a new market opportunity for this innovator.

7. Efficiency in job creation through relocation to spur economic growth in a region rather than locating in the same ecosystem: Organizations locate close to sources of production, skills, and other firms to minimize cost of production and efficiently utilize sources of production. Locating to underdeveloped regions of the world may provide low cost labor improved skills through training and education and lead to the discovery of noncustomers that may support business growth and profitability.
8. Efficiency is pursuing CSR objectives: CSR, and for that matter any community involvement program is an opportunity to ingratiate with the community, mitigate problems of the community through philanthropic donations to education, health care, and disaster relief efforts. Community ingratiation may spur customer loyalty, convert noncustomers thereby improving demand. As Drucker (2008) noted, businesses are part of the community structure. A deteriorating infrastructure in a community means a business may not be able to efficiently transport to customers. Helping with infrastructural development however will provide favorable economic returns.

Conclusion

The truth about reality is found in people's behavior. Businesses may compete against each other as strategic management framework entails, however the customer and noncustomer behavior should be focused on more to discover the realistic strategic framework of a business. Strategy may mean plotting against the enemy, however capitalizing on opportunities in the broader stakeholder spectrum may undergird its essence. Creating customer-centric strategies may reveal the realities of business performance which is measured by the value created for customers as demand dictates. Customer-centric strategies may be built on customer relations programs such as CSR, finding new markets, solving community problems, and efficiently producing varieties of products and services at a low cost to meet the demand multicultural customer and lure the noncustomer.

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