Ansoff’s Strategic Posture Analysis of Small Businesses in Henan Province, China, Post COVID-19

Marco I. Bonelli, Ph.D.1

1Fort Hayes State University- 600 Park St, Hays KS 67601-USA

ABSTRACT—Considering the dynamics of the fast-changing and often unpredictable global environment, a formal, reliable, and comprehensive framework for analyzing a business’ strategic posture may be useful. This paper examines an assessment tool, Igor Ansoff’s seminal contributions to strategic diagnosis. That tool focuses primarily on identifying and enhancing a firm’s strategic financial performance potential through analysis of an industrial sector environmental turbulence level relative to the firm’s aggressiveness and capability responsiveness. A small business survey conducted in the Henan Province of China after the COVID-19 lock-down analyzes the future strategic financial performance potential of the province’s small businesses as well as the interactions among the businesses’ external environmental turbulence level, aggressiveness, and capability responsiveness.

1 Introduction

This paper is based on a computer research model based on the seminal work of Igor Ansoff. Its main innovation is represented by the fact it extends beyond the traditional steps method in the strategic decision-making process. Even though that is considered critical for determining the future course and optimal strategy of a firm, Ansoff adds that the traditional steps method fails to examine the interrelationship of all the strategic decision-making variables, particularly what he refers as the “firm’s strategic posture”.

In 1987, Igor Ansoff developed an interactive computer program for strategic management analysis. The program was designed to integrate the analytical power of a PC with the experiential knowledge of a firm’s senior management. The program, ANSPLAN-A, was intended to serve as an internal consulting tool and would include input from line managers who were responsible for strategy implementation [3].

This tool is both a descriptive as well as a prescriptive. In this paper we will use mostly the descriptive aspect of it.

2 Strategic Posture Analysis (SPA)

ANSPLAN-A’s objective is Strategic Posture Analysis (SPA). Its foundation is the Strategic Success Paradigm, which states that an industry environmental turbulence-level (ETL) assessment, a firm’s strategic aggressiveness (SA), and general management capability responsiveness (CR) must be in alignment in order for the firm to achieve optimal future financial strategic potential. Thwaites and Glaister assert that, “to succeed in an industry an organization must select a mode of strategic behavior which matches the levels of environmental turbulence and develop a resource capability which complements the chosen mode” [11].

3 Questionnaire

Based on Ansoff’s paradigm, a questionnaire was prepared to measure SPA, to measure its three components ETL; SA; and general management CR, and, subsequently, to check alignment based on the combination of the three levels. As part of a class project, 148 students of the MGT 301 Course, Principles of Management, at SIAS University in Zhengzhou, Henan, interviewed small businesses in their province. Before conducting the interviews, the students completed a short training on the questionnaire terminology in April 2020, at the end of the lockdown period and past the peak of the COVID-19 pandemic. Approximately 70% of the interviews were of people in the service sector, with the balance from the manufacturing sector. The interviewees were business managers and/or owners.

4 Environmental Turbulence Level (ETL)

Each industry’s future ETL was analyzed using three categories of turbulence-level “descriptor questions”
that encompassed sector, industry, and marketing. Possible responses were on a scale from 1 (placid and stable) to 5 (surprise-full and discontinuous). Table 1 presents the three descriptor questions posed to respondents. The average responses to the three descriptor questions categories were 3.06 for “Innovation Turbulence,” 2.81 for “Macro Environmental Turbulence,” and 3.30 for Marketing Turbulence. The average of the three averages is the “Environmental Turbulence Level (ETL)” and that result was 3.06.

Table 1. ETL assessment questions posed to the respondents.

| Environmental Turbulence | SECTOR ASSESSMENT | Level Assessment (1-5) | Sector | 1 | 2 | 3 | 4 | 5 | Enter |
|---------------------------|-------------------|------------------------|--------|---|---|---|---|---|-------|
| Frequency of New Products | Inrequent         | Low                    | Moderate| High |Very High several per yr |
| Sector Change             | None              | Change occurs           | Change occurs | Change is continuous | Change is discontinuous |
| Technical Intensity        | Low               | Low                    | Moderate| High |Very High |
| Visibility of Future Changes | Complete       | Future Visibility is    | Future Visibility | Future Visibility | Future Visibility |
| Determined by Covid-19     | Visibility       | extrapolative           | is partially predictable | completely unpredictable |
| Sector’s Demand for Capital| None              | Low                    | Moderate| High |Very High |
| Rate of Change in the Sector | No Change       | Change is slower        | Firm Response | Change occurs faster | Change is |
| Barriers to Entry of New Competitors in the Sector | Very High | High | Moderate | Low | None |
| Competitive Scope          | Neighborhood | Inter Neighborhood | Town | Province | National |

Environmental Turbulence Level Assessment (1-5) | MACRO ENVIRONMENTAL ASSESSMENT | SECTOR MARKETING ASSESSMENT | Market | 1 | 2 | 3 | 4 | Enter |
|-----------------------------------------------|----------------------------------|-----------------------------|--------|---|---|---|---|-------|
| Consumer Pressure on the Sector              | None                             | Weak                        | Strong | Demanding | Threatening |
| Government Pressure on the Sector             | None                             | Weak                        | Strong | Demanding | Threatening |
| Help of the Government on Sector Post-Covid 19 | Very High                       | High                        | Moderate | Weak | None |
| GDP Trend in Henan next year                 | < - 1.0 - 2.0                    | -0.0 - 0.9                  | 1.0 - 2.9 | 3 > |
| Ability to Obtain Financing in the Sector     | Very High                        | Moderate                    | Weak | None |
| Tax Rates in the Sector                       | Decreasing                      | Stable                      | No Change | Increase | Rapid Increase |
| Economic Condition of your Territory of Activity | Stable                        | Extrapolable                | Predictable | changes occur equal to | Predictable instability | Change occurs faster | than Firm Response | Completely unexpected |
| Unemployment Rate                            | Low/Stable                       | Moderately Low              | Moderate | Moderately High | High/Rapid Increase |
| Sectors Growth Rate                           | Declining                       | Stagnant                    | Very Fast | Fast | Mature |
| Workers Productivity                         | Decreasing                      | Stable                      | No Change | Increase | Rapid Increase |
| Level of Capital Intenstity Required in the Sector | None                           | Low                        | Moderate | High | Very High |

Future Sector Innovation Turbulence

Future Macro Environmental Turbulence

Future Marketing Turbulence

TOTAL ENVIRONMENTAL TURBULENCE LEVEL

5 General management capability responsiveness (CR)

Capability responsiveness (CR) is general management’s ability to “engage in behavior that will optimize attainment of the firm’s near and long-term objectives” [8]. CR is assessed in two complementary ways, first in terms of responsiveness behaviors (responsiveness to changes in the external environment) and second via capability profiles (of the firm that produced different types of responsiveness). CR data were assessed using three surveys question levels measuring “General Managers Capabilities,” “Firm Culture,” and “Firm Structure.” Table 2 presents the CR questions posed to respondents. The average responses to these question categories were 3.26, 3.31, and 3.23, respectively. “Firms Capability Responsiveness Level (CR)” was assessed at 3.27.

6 Strategic Aggressiveness (SA)

Next to be assessed were the firms’ SA levels. The firms’ “Marketing Aggressiveness” and “Innovation Aggressiveness” were both measured. The interviewers posed a series of seven Marketing and
Innovation Aggressiveness descriptor questions. Table 3 presents the SA questions posed to respondents. The average results of the Marketing Aggressiveness and Innovation Aggressiveness question categories were 3.11 and 3.19, respectively. The average of these two averages was 3.15 and represents firms’ Strategic Aggressiveness Level (SA).

7 Alignment and Gaps

At this point, the first alignment “gap” between ETL and CR was calculated using this equation: Gap = (ETL) – (CR) or 3.06 – 3.27 = (.21). This number represents the “Capability Responsiveness (CR) Gap.” Continuing the analysis, the second alignment “gap,” this time between ETL and SA, was determined. Gap = (ETL) – (SA) or 3.06 – 3.15 = (.09). This number represents the “Strategic Aggressiveness (SA) Gap.” Ansoff provided guidance and clarification about the importance of aligning CR/SA with the ETL to achieve optimal strategic success [3]. Empirical evidence confirms that a “gap” in CR and/or SA would adversely affect firms’ optimal future financial performance. An excellent alignment, as in our results, proves exactly the opposite. Refer to Table 4, below, for details about gap assessment.

8 Conclusion

In the Henan Province in China, COVID-19 had a negligible effect on the future external environment of small businesses. ETL results are well-aligned in terms of both CR and SA. The CR and SA gaps calculated were minimal, even at sub-component levels (“Managers, Culture, Structure gaps” and “Innovation and Marketing gaps”).

Henan’s small businesses did not suffer any kind of significant disruption during the COVID-19 lockdown period and their future financial performances should continue to be strong.

### 9 Scope for further research

Prof. Igor Ansoff has been considered the “father of Strategic Management,” the most acclaimed milestones of his academic were:
- the seminal work initiated in 1965, defining the foundation of Strategy and Strategic Management [1],
- The School of Planning approach [3],
- The Ansoff Matrix [1].

At the peak of his academic career Ansoff developed the less notorious empirically proven Strategic Success Paradigm. That was empirically validated in numerous cases, by scholars and practitioner around the world [5].

After Prof. Ansoff passing, his prolific research suffered a downturn. One exception to that trend was represented by Kipley’s work [8], which considerably updated Prof. Ansoff’s Paradigm, in light to the secular shift to global secular phenomena like globalization, technology etc.

Currently Ansoff’s paradigm appears robust and up-to-date even considering a chronic increase to the environmental turbulence level that Ansoff’s observed at the end of last century [9].

Ansoff has been viewed by other representative scholars, like Harry Mintzberg just as a rationalist to a fault, insisting that everything quantifiable should be quantified [10]. Mintzberg also stated “Corporate Strategy remains the most elaborate model of strategic planning in the literature [10].

As Ansoff himself stated “Rather than quantify, I seek patterns in complexity which can help managers to do their work in the overwhelmingly complex and turbulent world of today and tomorrow. During the past 25 years, since my first book Corporate Strategy was published, my progress has been from a limited cognitive economic rationality to a broader perspective which embraces economic, psychological, sociological, and political rationalities which are all necessary to an understanding of today’s world of organizations and their behavior.” [4]

It is desirable that in the future the useful and updated tools of Strategic Posture Analysis would be recognized in a broader more holistic perspective could be again globally used by contemporary scholars and practitioners to demonstrate their intact efficacy and validity [7].

### Table 2. CR assessment questions posed to the respondents.

| Capability Component | 1 | 2 | 3 | 4 | 5 | Enter |
|-----------------------|---|---|---|---|---|-------|
| Assessments 1-5       |   |   |   |   |   |       |
| 1. Current Leadership | Political/ | Disciplinary/ | Innovative/ | Entrepreneurial/ | Creative/ |       |
| Style                 | Central/ | Controllship | Common     | Dynamic        | Futurist |       |
| 2. Problem Solving Skills | Trial/Error | Diagnostic | Optimization | Seek Alternatives | Creative |       |
| 3. Managers Risk Propensity | Reject Risk | Accept some Risk | Seek some Risk | Seek New Risk | Gamble on Innovation |       |
| 4. Intelligence       | Central/ | Production Efficiency | Planning | Entrepreneurial | Creator |       |
| 5. Managers Perception of Success Factors | Stability/ | Repetition | Growth/ | Response to | Strategic Positioning/ | Technological |       |
|                       | Repetition | Economics of Scale/ | Lowest Price | Market Needs/ Image | Flexibility/Social | Creativity/ |       |
|                       | Response to | Differentiation | Responsiveness | Creation of Needs | Creativity/ |       |
| 6. History of Effective Problem Solving | Solution* | Solution* | Solution* | Solution* | Solution* |       |
|                       | Basic | Original | Logical | Effective | Unique |       |
| 7. History of Performance Mgmt. | High | Plus (+) | Moderate | High |      |       |

Present General Manager Responsiveness

Managers Gap
### Table 3. SA assessment questions posed to the respondents

#### INNOVATION AGGRESSIVENESS

| Strategic Aggressiveness Assessment (1-5) | 1 | 2 | 3 | 4 | 5 |
|----------------------------------------|---|---|---|---|---|
| Sector Innovation | Neglect | Our Product is what the Customers wants | Anticipation of Customer Needs | Identification of unfilled Needs | Identification of latent Needs |
| Market Development Focus | Stay with current customers | Follow | Competition | Expand to familiar Markets | Create new Markets |
| Change Trigger | Crisis | Accept | familiar Risks | Seek | unfamiliar Risks | Seeks new |
| Firm's Success Model | Stability | Efficiency/Performance | Effective Growth | Effective Diversification | Innovation |
| Firm Position on Product Leadership | Imitator | > Follower | > Innovator |
| Firm's Risk Propensity | Avoid | Accept | Seek familiar risks | Seek unfamiliar risks | Embrace novel Risks |
| Frequency of New Products/Services | Rare | Moderate | High | Very High | (5 or more Years) |
| (3-5 Years) | | | | | |
| (2-3 Years) | | | | | |
| (Every Year) | | | | | |
| (Several per Year) |

#### MARKETING AGGRESSIVENESS

| Strategic Aggressiveness Assessment (1-5) | 1 | 2 | 3 | 4 | 5 |
|----------------------------------------|---|---|---|---|---|
| Marketing Strategy | Low | Moderate | High | Very High | Single Focus |
| Firm Sale Aggressiveness | | | | | |
| Firm Response to Competition | We do not compete | We will respond to Aggression | We will not be undersold | We are the Market Leader | We are our own Competition |
| Firm Response to Customers' Needs | Low | Moderate | High | Very High | Single Focus |
| Sales Network Development | None | Below Average | Average | Above Average | Best in Class |
| Market Share Strategy | Organic | Defend | Increase | Control | Dominate |
| Marketing Concept | None | Traditional | Advanced | Innovative | Creative |
| Firms Marketing Strategy | To sell what the Firm produces | To convince Customers that our Products are superior | To serve the Customers | To establish the Firm as a Marketing Leader | To establish the Firm as a Marketing Innovator |
|-------------------------|-------------------------------|---------------------------------|-----------------------|------------------------------------------|---------------------------------------------|
| Present Strategic Aggressiveness of Firm Marketing | Marketing Component Gap |

### Table 4. Gaps Summary Calculation

| Component                     | Level Assessment (1-5) | Sector Assessment | General Managers | Culture | Structure |
|-------------------------------|------------------------|------------------|-----------------|---------|-----------|
| Environmental Turbulence      |                        | Future Sector Innovation Turbulence | Present General Manager Responsiveness | Present Culture Responsiveness | Present Structure Responsiveness |
| MACRO ENVIRONMENTAL ASSESSMENT|                        | Future Macro Environmental Turbulence |                                |                     |                          |
| SECTOR MARKETING ASSESSMENT   |                        | Future Marketing Turbulence |                               |                     |                          |
| TOTAL ENVIRONMENTAL TURBULENCE LEVEL (ETL) | 3.06 | |                                    |                     |                          |

**ETL - CR = GAP**

3.27 (0.21)

**ETL - SA = GAP**

3.15 (0.09)
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