

Article

Teaching Strategic Management from A Christian Perspective

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Martinez presents ideas for integrating Christian principles into the teaching of strategic management. He does so in an attempt to spark discussion in the pursuit of developing a Christian framework for analyzing business principles.

Abstract

Christian professors and scholars are constantly seeking for new and better ways to integrate their faith into the various disciplines they research and teach. A movement among Christian academics is gaining momentum, aimed at increasing the quality and quantity of scholarship and courses that reflect a Christian worldview. In this paper, I focus specifically on provoking the discussion among Christian business professors about how best to integrate Christian principles into an important subject — strategic management. I examine the traditional textbooks used to teach strategy subjects and incorporate a Christian pedagogy into this subject matter. The paper is not intended to provide the definitive

statement on the subject, rather it is intended to spark discussion in the pursuit of developing a Christian framework for analyzing business principles.

Introduction

The dawning of the new century finds Christian academics in search of identity on many fronts. The two greatest challenges we currently face revolve around the role of faith in scholarship and in teaching. The scholarship battle is being waged on many fronts, including what it means to be a Christian scholar, what qualifies as Christian scholarship, and whether or not (or the degree to which) our secular and sacred lives ought to be separate in the academy.¹ Regarding teaching in the Christian academy, scholars

continue to wrestle with integration questions as well. As Richard Hughes put it:

*The problem for Christian professors is therefore obvious: How can we teach from a Christian perspective while honoring, at the very same time, the values and integrity of the academy? How can we embrace these two commitments simultaneously? How can we live between the two poles of this dialectical frame of reference?*²

Indeed, as scholars called to a vocation of proclamation from a distinctively Christian perspective, we are called to nothing less than excellence in our fields, both in the sense of theological underpinnings and professional academic development. While I am in this paper more specific about the faith-teaching application, it is in the larger context of our common struggle to understand the limits and opportunities of our vocation that I explore a Christian perspective of teaching strategic management.

Strategic management has emerged in business academia as a distinctive discipline in recent years. Born from a synthesis of economics and more traditional

business disciplines, strategic management emerged in the 1980s as a capstone course in schools and departments of business across universities worldwide. In short order, the main accrediting association of schools of business, the American Assembly of Collegiate Schools of Business (AACSB), was requiring that accredited schools include in their curriculum this capstone course. While the AACSB has since dropped this requirement, the strategic management discipline has nonetheless matured into an important research stream (McKiernan & Whitehill, 1997), applied management specialization (Parnell, 2000), and sub-discipline within the business school curriculum. The growth and importance of strategic management is no less evident in Christian colleges and universities.

To date, however, little material exists that examines strategic management from a uniquely Christian perspective. Teachers and professors in Christian universities and colleges have certainly developed individual approaches to this integration, as anecdotal evidence suggests. However, the development of a systematic

foundation from which to approach the various strategic management topics remains elusive. This paper, developed by a professor of strategic management currently teaching at a Christian university, is aimed at that gap in the literature available to Christian business teachers. The paper examines strategic management topics chosen according to their prominence in the leading strategic management textbooks (e.g., Hitt, Ireland, & Hoskisson, 2001; Thompson & Strickland, 2001; Hill & Jones, 2001). For each of these topics, traditional perspectives are noted, while the main contribution of this paper is the addition of Christian issues that can be examined in the context of each topical area.³

A procedural note is in order for anyone considering a Christian perspective of strategic management. Any discussion on this subject breaks down if the discussants are not in agreement on the context in which strategic management is said to take place. The constraints faced by Christian managers vary greatly according to whether the firm in question is a publicly-traded firm or a private firm, or a firm in a secular vs. Christian industry (such as Christian media or supplies).

Further, the discussion also hinges on whether we are talking about Christian managers making business strategy or Christian employees trying to influence (or constrained by) the strategic decision-making process of the organization. That is, the context and level of analysis impacts the discussion and the reality of prescriptions with regard to strategic management from a Christian perspective. Where possible in this paper, I denote differences in perspective and level of analysis.⁴

A Christian Worldview of Strategic Management Topics *Foundations of Context*

What exactly is the field of strategic management (SM) attempting to answer? What are the particular problems with which strategic managers are concerned and the assumptions that guide their efforts? In general, the SM course begins with an exploration of the field's unique placement among the business disciplines. The bottom line question of SM is, it seems, "Why do some firms perform better than others?" From there, the academic and practical journey begins with such issues as defining "performance" and identifying the various boundaries

of the domain. Firms are said to have an understood purpose and mission, leading to a strategic intent that guides the strategic planning process. Ultimately, the formulation of corporate- and business-level strategies is based on the desire to achieve a state

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of strategic competitiveness through the exploitation of core competencies, or the things a firm does better than its rivals.

In the Christian classroom, or from the Christian perspective, a great number of possible issues enrich the discussion. While we dialogue about the “domain” of the strategic manager and the SM field, it may be useful to introduce the Kuyperian (i.e., Reformed theological) notion of dominion. That is, all things are under Christ’s dominion (“The earth is the Lord’s, and the fullness thereof ...,” Psalm 24:1). As strategic managers, we are ultimately stewards of the Lord’s creation. If indeed all things belong to the Lord, what then do we do with the notion of private property — an idea that is central

to capitalism, Western democracy, and corporate identity? If we approach the domain of SM with stewardship in mind, how might that affect the purpose or mission of the firm? Does this change our definitions of performance? Is it “Christianly” to attack business rivals with the intent of killing the rival firm (putting it out of business)? In considering the role of God in SM, does it matter if the firm is public or private? In accounting for firm outcomes, where do God and “Providence” fit into the equation? Can we account for what Hobbes has referred to as “the secret workings of God, which men call good luck” (Hobbes, 1968, p. 150)? In the end, a Christian approach to the teaching of SM must prepare students for the inclusion of God in their understanding of the firm and the domain of strategic managers. It is in this area, perhaps, that professors may vary the most with regard to philosophy and material. One starting place for discussions of this sort is the economic context in which strategic management takes place.

Economic Foundations

The tenets of SM have been built on competing economic theories and assumptions.

Few SM textbooks have chapters or sections specifically titled “Economic Foundations;” however, the principles are typically interwoven throughout the text. In general, the field of SM grew out of the industrial organization (I/O) economics literature in which the performance of a given firm was said to be a function of its relative market size and its position within the structure of the industry. Early SM researchers and teachers taught from this “SCP Paradigm,” suggesting that the structure of a given industry (and the firm’s position in that structure) determined the firm’s conduct, which ultimately constrained the firm’s performance (e.g., Ansoff, 1965; Learned, Christensen, Andrews, & Guth, 1965). Over time, the deterministic, I/O-based SCP Paradigm was challenged by other economic models, allowing for greater and more unpredictable competitive forces, such as the Austrian economics underlying the competitive dynamics experienced in many markets (discussed later in this paper). The overarching and important point of early SM research was that strategic management takes place within an economic context.

Given that economics is inherently related to philosophy and the humanities, it is not surprising that consideration of SM’s economic underpinnings lends itself well to theological and scriptural analysis. It makes sense to ask the question, “Is there a Christian economic perspective?” Hoksbergen and others made just such an inquiry in a special issue of *Christian Scholar’s Review* in 1994. In the Christian classroom, or from a Christian perspective, we might want to consider whether economic frameworks that stress competition over cooperation are somewhat unhealthy. Should we be teaching techniques for protecting the firm from profit-reducing competition (as in the I/O model), or should we be teaching students to face the challenges of competition with greater entrepreneurial skills (as in the Austrian model)? One could argue that a God who is creative would expect us to focus more on discovery than on isolation and deterrence. It also makes sense to ask whether certain economic frameworks that stress (and even laud) the role of individuality and self-interest in the marketplace, as do Austrian models and Adam Smith’s famous invisible hand argument,

are inconsistent with a Christian worldview. The answers to these questions are not obvious, but students must be made to question the underlying assumptions of the existing libertarian business models to which they are exposed across most business courses.

Analysis of Environment and Assets

Perhaps the most basic way of approaching SM is the traditional SWOT (strengths/weaknesses, opportunities/threats) analysis with which most businesspeople are familiar. Within this purview, we explore the manner in which various aspects of the external and internal environments affect firm performance.

External Analysis

What aspects of the firm's external environment affect performance? Naturally, that is a complex question. However, SM textbooks systematically define the external environment as consisting of the general environment (factors affecting all firms, such as the economy), the specific environment (factors affecting a given firm, such as its suppliers and customers), and the firm's industry environment (factors affecting the firms in a

focal industry segment, such as concentration and growth). Many textbooks utilize a SWOT analysis, which suggests that firms analyze the internal and external environments collectively for the existence of strengths, weaknesses, opportunities, and threats. With regard to the external analysis, much emphasis is given in the SM course to the industry analysis and the theories of Michael Porter. In analyzing a focal industry according to Porter's Five Forces (Porter, 1980), students learn that an "attractive" industry is one in which barriers to competition deter new entrants and suppress rivalrous activities. Unattractive industries are those in which substitute products eat into revenues and powerful buyers or suppliers reduce profitability. SM textbooks also stress the importance of competitor analysis, leading to the identification of strategic groups within industries and the development of intelligence regarding rivals' capabilities and activities.

These issues are important in their own right, as all organizational leaders ought to be aware of the external context in which their efforts take place.

However, the Christian must approach the external analysis with a most complex set of interests. For example, in looking for opportunities and threats, we might ask, "Opportunities for what?" Does a given business environment provide certain opportunities for mission work or charity or calling that might not be considered in the external analysis as seen through a secular lens? Does the Great Commission (Matt. 28:19-20) apply to market vocations? Or we may consider whether a strategic threat is an excuse to give in to fear or whether it is an opportunity to exercise faith in living out God's calling for the firm and its leaders. Further, as we consider the aspects of the environment, we might discuss social attitudes toward faith and how that affects the firm, its products/services, and the freedom of expression for Christian business leaders. We might, in the SM classroom, take note of the rising social preoccupation with spirituality in the workplace. Does this fact have meaning at the strategic level? It also makes sense, as noted earlier, to discuss with students whether the Christian called to business best serves by creating barriers to competition, and thus increasing profit

potential based on diminished competition, or by engaging in entrepreneurial search and discovery, thus placing the firm at risk (innovation is inherently risky). In general, development of a Christian perspective on external analysis is a fascinating process from which students can only benefit.

Internal Analysis

In extending the traditional SWOT analysis to the firm's internal capabilities, we may ascertain the relative strengths and weaknesses of the firm as it considers which opportunities to pursue and which threats to combat. Recent SM theory has focused on the critical role that resources play in the determination of competitive advantage (Barney, 1991; etc.). SM textbooks tend to incorporate this resource-based view of the firm (RBV) into the discussion of internal analysis. One popular model suggests that resources lead to capabilities, some of which are core competencies (Hitt, Ireland, & Hoskisson, 2001, p. 102). These core competencies, if well-managed, become the source of sustainable competitive advantage and, ultimately, a state of strategic competitiveness. Thus, in the case of internal

analysis, the object of analysis becomes a firm's tangible and intangible resources, including human resources, capital, physical facilities, managerial systems, manufacturing processes, technology, patents, knowledge, etc. Some of the firm's superior resources may be inimitable to such an extent that other firms cannot duplicate their value.

In discussing internal analysis in the SM classroom from a Christian perspective, we might begin with a more humble introspection of the firm's condition. For instance, might a firm's strengths and weaknesses include such aspects as culture and ethics? For some firms, especially those being operated according to Christian principles, it may not be possible to succeed in that endeavor without the establishment of a strong common culture based on Christian values (cf. Colossians 2:8). Further, recent headline evidence suggests that firms that are weak in the area of ethical accountability and compliance face grave threats to survival. This, of course, should not be surprising, and yet somehow it bears continual prompting for each new crop of students and managers.

Scholarly literature and SM textbooks typically note the superior returns from valuable intangible resources, as they are most difficult to imitate. We might explore in our classrooms the value and impact of integrating the Christian faith in our business endeavors.

As managerial processes and organizational cultures represent important assets, should we expect that successful faith integration might yield certain competitive advantages? Is such a culture imitable? Indeed, should we not hope that it is imitable? And if we agree that successfully integrating faith and business principles is valuable, and if we believe it is not an asset we would wish to keep from other firms, then we might wish to discuss the implications this has for building models of competition. That is, should Christian firms and/or Christian managers pursue resources that promote strategic cooperation over competitive models? Again, the answers are complex, but the questions are worth asking.

Competitive Choices

At some point a firm must confront the world of competitive choice. How might we compete in a given market? On what basis

will our firm have an advantage over others? What impact will a firm's actions have on its rivals, and how might their reactions turn the tables? These questions are typically addressed in terms of business-level strategy and competitive dynamics.

Business-Level Strategy

One of the most critical issues in the SM domain is, "How should a firm compete in a given market?" While that question might invite infinite analysis, SM textbooks typically constrain the discussion to a few popular models, such as Michael Porter's (1980)

"generic" business-level strategies.

Firms may be

seen as pursuing various strategies, including cost leadership, differentiation, a combination of the two, or one of these strategies in a focused market segment. Other typologies are also discussed in various SM textbooks, such as the Miles and Snow (1978) typology, but the Porter model is fairly universal. The central question is how the firm can employ its unique skills, resource bundles, market position, and perception of

opportunities in order to turn its core competencies into a cost- or differentiation-based competitive advantage. Porter's model also makes allowances for firms that are unsuccessful at establishing a coherent strategic profile, referring to these as "stuck-in-the-middle" firms.

This particular SM topic may seem a challenge with regard to the Christian worldview, as the consideration of a firm's business strategy appears on the surface to be solely a business issue. And yet, the Christian professor may note that a Christian firm pursuing a cost leadership

strategy seeks efficiency in combination with its natural differentiating factor of "faith."

At some point a firm must confront the world of competitive choice.

Further, some firms may consciously pursue a differentiation strategy in which the Christian faith is a shared condition among the firm's employees and ownership. This may create a culture that proves valuable in motivating participants, encouraging diligence, reducing ethical problems, and presenting the firm as a more desirable business partner for buyers, suppliers, and alliance partners. The results in

this case could be defined purely in business terms, but the underlying differentiation factor is the faith of the firm's internal participants.

Within the SM classroom, we may also point out the possibility of developing a *focus-differentiation* strategy in which the firm identifies the Christian community as a niche for its products or services. Examples include doctors, dentists, merchants, and others who specifically market their products and services in media aimed at the Christian audience, such as Christian radio and television and Christian telephone directories, such as *The Shepherd's Guide*. Finally, we might also consider what it means from the Christian perspective to be stuck in the middle. For instance, if a business claims to be Christian through the use of such symbols as having a fish in its advertising or having a presence in *The Shepherd's Guide*, might we consider such a firm to be ineffective in this form of differentiation if there is no distinguishing evidence to support its claim of faith? Such affirmative evidence might include the type of people employed by the firm, charitable sponsorships, work schedules, and even such items as in-house

(or "phone-hold") music (e.g., Chik-Fil-A). Are not firms then stuck in the middle if they cannot be distinguished in this manner from non-Christian rivals? Ultimately, the question becomes "What role, if any, will the Christian faith of a firm's participants have in its efforts and ability to compete in the marketplace?" This question may also be more philosophical, in the sense that we might consider if faith even *should* play such a role.

Competitive Dynamics

Competitive dynamics is a recent addition to the SM field and may be defined as the impact of actions and reactions, attacks and responses, on firm outcomes. The central concepts involve identifying the factors that influence a firm's decisions to engage in competitive attacks (such as the perception of opportunities that are in rivals' blind spots and the anticipation of gaining first-mover advantages) and the likelihood of success for such attacks, given rivals' responses to these attacks. The likelihood of response across rivals (and the likelihood of a successful response) is considered in terms of awareness of the attack and a given firm's

motivation and ability to respond (Hitt, Ireland, & Hoskisson, 2001, p. 190; Grimm & Smith, 1997). Other issues considered in the competitive dynamics area include multipoint competition and the pace of change in a given market. In essence, the question at hand is whether a firm's strategically motivated actions will result in its intended outcomes. The strategy a firm develops on paper must account for the responses of rivals and the roadblocks they will present along the way.

From a Christian lens, the discussion of competitive dynamics takes on a rather philosophical or theological tone. For example, in the arena of business competition, does God favor His own, as He has historically in other arenas? If Christians are to exhibit certain holy characteristics, is there a place for, say, humility in competitive business actions and responses? And should we approach competitive challenges with a spirit of timidity, or with a spirit of courage (e.g., II Timothy 1:7)? As competitive dynamics turn into something akin to mud fights, should the Christian firm or manager seek to avoid such activity, such as the use of litigation as a competitive

weapon? Finally, as rivals seek ever-new markets to gain unencumbered footholds, are some markets off-limits to the Christian firm, and are they to be avoided by Christian managers who have such discretion? For example, if our rivals diversify into gambling (or "gaming"), alcohol, or pornography markets, should we not follow them at all costs in order to check their moves? And is it un-Christian for large firms to systematically attack small rivals in order to eliminate them? On the other hand, should smaller "Davidic" firms attack with confidence larger "Goliath" firms with the expectation of God's automatic blessing?

Scope of Operations

As a firm grows, it faces critical questions regarding the appropriate scope of its operations. Both product and geographic diversity are considered at this point in the SM process.

Corporate-Level Strategy

The essential corporate-level strategy question has always been "What markets or industries should our firm pursue competitively?" Each business organization, even single market

firms, exists in an original market and must constantly consider whether or not to diversify into other product or geographic areas. The processes discussed earlier regarding external market analysis inform the strategic manager about threats in the firm's current industries and opportunities in other arenas. Managers will have strategic, environmental, and personal motives for considering corporate diversification.

Strategic motives include entering new product or geographic markets in order to achieve market power or synergies across business units (related diversification) or efficiencies across unrelated business units through the development of an internal capital market. Environmental factors may also motivate managers to expand into new areas. These might include a lack of growth opportunities, increased governmental regulation, cyclicity, and uncertainty of future cash flows in the current market. Finally, managers may also have personal reasons to seek diversification, including the increased executive compensation

associated with firm growth and a desire to minimize (job-related) risk exposure in a single market.

Perhaps the greatest corporate strategy question facing the Christian strategic manager is "What markets should I *not* be in?" In developing a competitive strategic profile, the Christian (or Christian firm) must consider all of the possible sources of synergies and efficiencies to be gained from having a presence in multiple markets,

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as her rivals are likely to be doing. And yet it is important to consider, in the boardroom as well as in the Christian classroom, whether certain market opportunities would not be pleasing to God. For instance, should the Christian manager of a snack foods manufacturer seek to gain the "natural" synergies likely to arise from the acquisition of a local beer brewery? Some Christians may not find this to be dissonant with their faith, but others will. Should a Christian manager of Disney Corporation (I make no claim of faith for existing Disney management, as I have no knowledge of their faith stance) enter the gambling or casino industry in order to counter the very real threat of

losing vacation and entertainment business to Las Vegas and numerous riverboat casinos? In other words, are certain markets "untouchable" for the Christian manager, and if so, what are they?

And is the converse true? Should Christian managers choose to *remain* in an unattractive market that has been abandoned by rivals, simply to avoid renegeing on contracts and other commitments that are now very costly to the firm? For instance, in order to diversify their assets, Hershey Corporation's controlling trust recently put the firm up for bid, only to back down after a significant outcry from the townspeople of Hershey, Pennsylvania, and the alumni of the Milton Hershey School, which is financed and controlled by the trust. The community, workers, students, and alumni all felt that the Hershey Company embodied various commitments to their well-being, based on historical factors. Christian managers may find themselves in similar situation with regard to corporate-level strategy.

It is also important to consider in the Christian classroom the various personal, or selfish, managerial motives that underlie many corporate strategy decisions. Diversification

achieves certain ends for managers — ends that are often inconsistent with the best interests of shareholders, who presumably are the principals for whom managers work. While diversification may indeed limit the job-related risk faced by top managers, it also places limits on the returns available to owners. Is it an act of faithlessness for a Christian executive or manager to use corporate diversification as a way of increasing his job security (Matthew 6:25-34)? Further, in the Christian classroom, we ought to caution our students about using corporate strategy to simply grow the firm as a means of generating executive compensation, which has been shown to be highly correlated with firm size (Finkelstein & Hambrick, 1996). Indeed the very notion of "growth is good, while non-growth is to be viewed as stagnation" could be challenged.⁵ Naturally many other corporate-level strategy subjects may be discussed within the context of the Christian classroom, but these are some of the more important issues that our future managers will face.

International Strategy

What role do international markets play in strategic

decisions? While indeed most economic commerce occurs at the local level and with local and domestic firms, strategic managers must consider the possibilities that foreign markets represent in all aspects of organizational operations. In general, strategic management texts suggest that firms may consider international markets for firm inputs, processes, and outputs. That is, firms must know how the presence of foreign suppliers might influence their sourcing decisions, where in the world it would be best to manufacture and assemble products, and how (or whether or not) the firm's products or services might be sold in foreign markets. Other issues in the international strategy subject area include modes of entry into foreign markets, the various evolutionary stages typical of the internationally-diversified firm, and the different strategic orientations of multinational firms. For example, in choosing an entry mode, firms may enter foreign markets through exports, licensing arrangements, franchising, strategic alliances, or wholly-owned subsidiaries (via acquisition or start-up). Further, textbooks often discuss the international strategy process

in evolutionary terms, noting that firms typically begin as solely domestic operations, while over time expanding to conduct ever more operations in foreign countries. Finally, most strategic management texts include a discussion of strategic orientations, often focusing on the multi-domestic/global/transnational distinction in which firms formulate international strategies either individually for each different market, collectively for all foreign markets, or some combination of the two.

From the Christian perspective, international strategy is a critical subject area, as international business represents opportunities for people and managers in firms to do great good or great evil. In the Christian classroom, we might consider adding to the traditional reasons for entering foreign markets. For instance, to the extent that strategic managers have the freedom to do so, entering foreign markets may represent the foundations for mission work and ministry opportunities. The firm must have a legitimate business rationale for expanding internationally, but given this rationale, Christian managers may recognize unique ministry outlets in the new

environment. For example, the founders of Pura Vida coffee are headquartered out of Seattle; however, they have intentionally established coffee plantation facilities in the poor areas of San Jose, Costa Rica in order to minister to the impoverished people of these neighborhoods. The social services efforts in Costa Rica of one of the founders, Chris Dearnley, existed prior to Pura Vida, but he and his partner, John Sage, saw the opportunity to establish a for-profit corporation that could both employ the poor to whom Dearnley ministered *and* fund social services efforts in Seattle as well (Rossi, 2002).

Another issue that may be raised is whether international business leads a firm down a path in which the opportunity to do harm outweighs the obvious benefits of the move. It is possible that firms may in fact "lose their souls" when engaging in certain activities. Does the act of internationalizing introduce a distance and impersonality into the firm's business operations that makes it easier for managers in the firm to engage in illegal, unethical, or socially irresponsible behavior? Firms with only domestic or local operations have an established

sense of community and identity that may act as a deterrent to unethical or irresponsible behavior. Movement to foreign markets may weaken that sense of community and responsibility in such a way that firms pursue more questionable activities and strategies. Thus, the discussion may center on how to balance the firm's dual responsibilities — fiscal and social. That is, Christian managers have a definite responsibility to manage the firm's resources in such a way as to make a profit where possible. As such, they must consider how operating in international markets may lower costs and increase revenues. At the same time, however, these managers must also take care to avoid the temptation to treat people in foreign markets as less deserving of our most responsible behavior, especially as behavior by the firm's employees and managers may constitute the groundwork for witnessing opportunities. A more complex discussion of these issues in the Christian classroom may also consider the possibility of complementing the firm's strategic structuring efforts (through international operations) with relational structuring, which involves managers and executives

being personally involved with, and knowledgeable of, the people in the firm's overseas operations.

Boundaries and Relationships

As the firm pursues its goals through strategic action, its voluminous transactions may be conducted within the firm's boundaries or with outside forces. These transactions require the use of assets that are either owned, shared, or rented by the firm, and the problems of integrating, structuring, and sharing strategic assets are addressed as we consider mergers, acquisitions, restructuring, and cooperative arrangements.

M&As and Restructuring

It is difficult to separate the discussion of mergers and acquisitions (M&As) from the previous section on corporate level strategy, since much of corporate level growth is accomplished through M&As. However, once corporate level strategy has determined the attractiveness of various market options, the question of how to accomplish expansion and contraction of the firm's scope of operations comes into play. Firms are observed to pursue M&As for many of the same reasons that drive diversification,

namely market power, market entry, innovation, and general diversification. Textbooks typically consider various reasons for the failure of acquisitions, and these include problems associated with merging diverse corporate cultures and operations, exorbitant debt or complexity from over-diversification, and poor target evaluation.

Along with expansion through M&As, firms also undergo contraction as they pursue restructuring. This contraction, or retrenchment, may be accomplished through downsizing (in which the firm sheds employees and operating units) or downscoping (in which the firm spins off businesses in order to reduce the number of operating environments about which it must be knowledgeable). Textbooks tend to favor downscoping as a restructuring strategy, as it allows the firm to focus on its core businesses, while downsizing has significant costs, including loss of organizational knowledge assets, loss of survivor morale, and reputational costs.

From the Christian perspective, mergers and acquisitions represent the opportunity for some firms to combine their Christian assets

and missions, where appropriate. In Christian industries, such as Christian "bookstores" or church supply firms, we might wonder whether such organizations are meant to compete with one another, or whether they might serve Kingdom purposes better by merging to achieve lower costs and various synergies. In secular industries, we might explore the challenge of integrating different cultures from a Christian perspective. We might wonder whether a "Christian" firm, or a firm run by Christians, ought to be

"unequally yoked" with a more secular firm. This is, of course, a complex issue, as even those firms that seek to be identified as Christian (through their corporate values or ownership) will likely have some non-Christian employees.⁶ These firms will also interact daily with many secular organizations. The question of being unequally yoked arises when we make conscious choices regarding long-term interorganizational relationships. Just as Christian individuals who interact with non-believers every day must be careful about their deeper relationships, so, too, must

firms attempting to establish some sort of Christian identity be cautious in their choice of acquisition partners. Further, at a more personal level, what are Christian employees and managers to do when their firm merges with or acquires (or is acquired by) a firm in an industry with which Christians ought not to be comfortable?⁷

In terms of restructuring, Christians must seriously consider the ethics of downsizing actions. There is no doubt that downsizing is a legitimate strategic option that is, at times,

the responsible course of action for a firm that has grown to a bloated state. However, many downsizing actions are simply the result of managerial efforts to quickly reduce costs in order to affect short-term financial indicators. While it might be pretty clear that Christian managers have a responsibility to avoid such self-serving strategies, it is worth discussing whether the Christian manager should also strive to avoid lay-offs even when there is a legitimate strategic rationale for doing so. Should Christian managers engage in sacrificial restraint as stewards in

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considering downsizing actions, as these actions are disruptive and often devastating to the employees involved, or is the greater stewardship accomplished in trimming employees from an overstaffed organization?⁸ With regard to downscoping, it may be worth considering whether downscoping makes even more sense to the stewardship-oriented Christian manager, who must be concerned with the consequences of straying from the true mission of the organization. To the extent that the Christian manager seeks God's blessings and direction for the organization entrusted to him/her, there is a compelling rationale for staying true to the revealed and focused mission of the firm. This is especially true for organizations that are seeking to offer their services and efforts as a ministry as well as a market option.

Cooperative Strategies

In what ways might the firm partner with others to achieve its goals? Strategic management texts have only in recent years begun to deal extensively with cooperative strategies. Typically, the reasons for pursuing cooperative ventures⁹ are discussed, and these include offering some of the firm's

strengths as barter for the strengths of other firms in order to shore up weaknesses in the pursuit of opportunities. These arrangements allow firms to accomplish strategic objectives despite existing weaknesses, without having to formally acquire the permanent capacity represented by other firms' strengths. That is, firms rent other firms' assets in a barter arrangement that is deemed to be mutually beneficial and which is dissoluble more easily than are mergers or acquisitions. Typical strategic issues that are addressed in this manner include the pursuit of innovation, expansion into new markets, distribution arrangements, marketing alliances, and shared manufacturing capacity. In general, texts discuss cooperative strategies according to certain process phases, which may include (variably) decisions about alliance types, partner choice, alliance structuring, alliance administration, and/or alliance dissolution. Many other aspects of alliances and cooperative ventures are explored (and these vary greatly across texts), but some of the others include alliances as options to acquire and the deterioration of alliances into "learning races,"

in which the partners race to learn one another's proprietary assets before their own are revealed.

As Christians, we may focus our discussion on the benefits of engaging in social networking, even at the organizational level. What type of positive influence might the Christian firm have or what type of influences might a Christian manager have on her peers at partner firms? What type of influence and witness might our cooperative behavior be? Another critical point for discussion is the choice of an alliance partner. The strategic alliance literature notes that two factors — task characteristics and partner characteristics — most influence alliance success. If this is the case, should not the firm influenced by Christian principles or Christian managers simply focus on finding the best possible partner in terms of assets and capabilities? What of those firms that are most excellent in their field, or that have superior resources which they are willing to contribute to an alliance arrangement, yet have inferior reputations or are known for unethical or socially irresponsible behavior? Perhaps this partnership may help to influence the renegade firm and its managers in a positive direction?

This argument, however, sounds eerily like the one typically offered by the young (or not-so-young) man or woman who is dating or marrying a non-Christian, suggesting that he or she intends to change the lost person's behavior or spiritual status. We may discuss in the Christian classroom whether the admonition against being "unequally yoked" (II Corinthians 6:14) applies to other social institutions besides marriage. After all, are not strategic alliances and cooperative ventures social institutions as well as business arrangements? Would the introduction of a rather unsavory business partner into the firm's chosen network "leaven the bread" (Galatians 5:9) to the point where its negative influence is spread throughout the Christian firm?

Another issue that may be discussed from the Christian perspective is the importance of protecting the firm's reputation for trustworthiness, not only as it applies to business activities, but also as it applies to the "different" and "better" ways that Christian firms and/or Christian managers can be expected to act in their business relationships. For instance, if two Christian-oriented firms are engaged in a

partnership, should their disputes be settled in the secular legal arena, as are most business disputes? Or does Paul's admonition (I Corinthians 6:1-7) apply to firms as well? Finally we might discuss whether or not the Christian firm or Christian managers ought to be partnering (even sacrificially) with non-profit organizations, faith-based organizations, or community organizations. These private-public sector relationships are critical for the success of service organizations. Does the Christian manager have more of a duty to consider these arrangements?

Facilitators and Constraints of Implementation

Having made critical decisions about firm strategy, the firm must constantly confront those factors (for the purposes of our discussion here, deliberate structures and institutions) that affect the firm's implementation of its strategic choices. These factors are typically discussed in terms of corporate governance and firm structure and control.

Governance

Corporate governance is one of the most important topics in

the strategic management domain. Although most texts place this subject toward the end of the table of contents, as it is an implementation issue, many strategic management professors begin their course with a discussion of corporate governance. This places the person of the strategic manager, and the responsibilities he/she faces, squarely in front of the student to consider for the rest of the course. The main question has traditionally been, "How are managers' interests and actions aligned with those of other stakeholders, especially shareholders?" Textbooks have traditionally framed this in terms of Agency Theory, which suggests that business managers

... in what ways might cultural ... controls be utilized in a Christian firm?

are agents for the interests of the firm's principals (shareholders or owners). In this paradigm, we are told that managers' interests are usually at odds with the interests of shareholders, and thus, we must establish corporate control mechanisms that bring these divergent interests into alignment. Agency Theory basically

suggests that the best way of accomplishing this is to establish close monitoring mechanisms (such as a board of directors or large block of shareholders) or develop compensation packages that align the actions of self-interested managers with the outcomes that appease self-interested "owners."

Students in the Christian strategic management classroom will certainly have much to say about the assumptions of agency theory. We might begin by discussing God's role in the principal-agent relationship. That is, in what ways might we view God as the ultimate Principal, and in what ways are we His agents in the context of making and implementing strategy (e.g., Matt. 25:31-46; Prov. 16:9; Romans 6:13)? How might the answers to these questions influence our relationships with other stakeholders? Within the Agency Theory paradigm, how might governance mechanisms be structured in such a way as to appeal to the more noble motives of managers? Beyond Agency Theory, it may be useful to consider how other models might become the basis for governance. For example, an alternative framework derives from

Stewardship Theory,¹⁰ which suggests that managers may in fact respond to an internal sense of responsibility in carrying out their fiscal and social responsibilities. How might we devise governance mechanisms that promote and reward good stewardship, and what would these look like? For example, we might indeed have long-term incentive plans that include stock options as well as bonuses; however, the rationale for these might simply be as a reward to top managers who deserve to share in the fruits of their labor. This contrasts distinctly from the Agency Theory rationale of assuming that, since shareholders are mostly profit-motivated, managers must also be so.

Finally, we might consider in the Christian classroom the *nature* of governance mechanisms. For example, in what ways might cultural (based on a Christian culture) controls be utilized in a Christian firm? While use of cultural controls is quite common in some foreign firms (Ouchi, 1980), it is less so in Western firms. Is it even appropriate to consider the development of governance and control mechanisms that have Christian culture as their basis, or is this manipulative? Further, how

might Christians exhibit appropriate submission within the corporate governance context? As Christians, we are governed by higher principles than those found in the corporate charter and contracts. We are admonished to submit to those in authority (Romans 13:1-2; Hebrews 13:17; I Peter 2:13) and to “render unto Caesar” (or the state) that which belongs to the state (Matthew 22:21, etc.). In the end, we submit to the lordship of Christ, and thus are governed in our corporate activities by obedience to His commands (John 14:21; 15:10; also see Mouw, 1990). And in firms where a number of believers are present, or even across firms in which believers have developed a fellowship network, we may be able to develop networks of accountability as realistic governance mechanisms (Weaver & Agle, 2002). These are, of course, informal governance mechanisms, but they may have a powerful impact on Christians in the marketplace.

Structure and Control

If governance applies primarily to top management actors in the firms, firm structure and control mechanisms impact the actions of all organizational

actors, and they are addressed in most strategic management texts. The firm’s chosen strategy requires certain structural elements, and control mechanisms are designed to ensure movement and progress in the direction of strategic goals. For single and dominant business firms, a functional structure is usually employed. In diversified firms, the structure is typically some type of multidivisional or “M-form” structure, with more management levels and greater decentralization than functional structures. This type of structure has multiple variations, depending on whether business units are expected to cooperate with each other to generate synergies or simply compete with each other for limited capital. Discussions of control systems usually center on the distinction and balance between strategic controls that measure long-term and strategically relevant criteria and financial controls that utilize objective criteria (e.g., return on investment) to measure corporate and managerial performance.

From a Christian worldview, we may approach this subject from the perspective of bringing order out of chaos. Is it possible that humans create organizational structures as a reflection of God’s

orderliness? On the other hand, is not God also the God of chaos, a critical element in the pursuit of meaningful change and innovation? Scripture lends much support to the idea of hierarchy in organizations. Perhaps the most well-known example is when Moses’ father-in-law, Jethro, counsels Moses to appoint judges over thousands, hundreds, fifties, and tens, to distribute the work of judging disputes more efficiently and effectively (Exodus 18). This principle also appears to have support in the organization of the church, as seen in the appointment of various supervisory or governance roles (apostles, overseers, and deacons in Acts 1, 6; I Timothy 3; Titus 1; see also I Peter 5 and Hebrews 7). However, despite the importance of hierarchy in human institutions, we might also note Jesus’ call for those who would be great to become servants (Matthew 20:20-28) and Paul’s teaching that no part of the body of Christ is more important than another (I Corinthians 12). From these readings, structural issues seem to have less to do with the form of structures themselves and more to do with attitudes of those in leadership within these structures. Thus, we might

consider in the Christian classroom whether or not there is such a thing as a Christian structure or a structure that is more in line with Christian values. As noted earlier, control systems pose similar issues. We might discuss the degree to which Christians ought to consider intentions and behaviors (as evidenced by strategic controls) over tangible outcomes (typically measured with financial controls).¹¹ We might also consider the role of Christian virtues in influencing structural and control mechanisms. For example, might trust (as an organizational cultural imperative) and trustworthiness (as an individual attribute) influence the level of formality and bureaucracy in the firm’s structure and control system (Ouchi, 1980)? These Christian virtues may reduce the need for control mechanisms that operate under an assumption of opportunism (see Smith, 1999).

Forces of Creation

Perhaps the most critical aspect of recent SM thinking has been an emphasis on information, knowledge, and innovation. From the standpoint of the Christian who believes that man is made in the image of God,

the creative aspect of business is important and exciting.

The development of strategic leadership and innovative processes will lead to the marshalling of resources and people in the creation of wealth, social gain, and knowledge.

Strategic Leadership

Marshalling resources and people in the direction a firm must go is a crucial component of the strategic management process. While leadership is a subject taught in many business classes, strategic leadership is somewhat unique in that it is associated solely with the development and implementation of the firm's efforts at the strategic level. Strategic leadership is not seen simply as the leadership characteristics and ability of an individual person; rather it is the leadership process of the firm's numerous top-level executives, referred to as the top management team (TMT). This team, which includes (variably) the firm's CEO, CFO, president, and certain vice presidents, is tasked with bringing the firm to a state of strategic competitiveness. Strategic management texts typically spend much space addressing the demographic characteristics of TMT members

and how this affects their choices and performance. Space is also dedicated to consideration of the many factors that affect the strategic leader's (or the team's) discretion in carrying out their plans — factors such as environmental constraints, industry and economic conditions, organizational constraints, and individual characteristics. Perhaps the bulk of strategic leadership material is dedicated to TMT heterogeneity and the effect this has on strategic decision-making. Heterogeneity is explored in terms of risk preferences, functional background, ethnicity, gender, age, etc. Much discussion also centers around managerial turnover and succession and the impact these factors have on firm performance.

While most strategic leadership and TMT research offers the CEO as an heroic figure, we may as Christians bring into the discussion leadership models that are more consistent with the humility to which Christians strive. We may wish to frame the CEO and TMT members as servant leaders. At the same time, we may note that servant leadership models often portray leaders as overly humble and, to some extent,

weak. Biblical models of leadership are somewhat more heroic (David, Moses, Paul, etc.), even if the central figures had their weaknesses. Jesus, although displaying certain servant-like characteristics (e.g., John 13:3-15), was certainly not weak and never portrayed false humility.¹² Jesus exhibited a leadership style that may more accurately be labeled “shepherd leadership,” wherein the

shepherd leads and guides and protects his charges, while maintaining dominion over them (see McCormick & Davenport, in press). Thus, if servant leadership models strip strategic leaders of their strength, might other models of strategic leadership be more consistent with the Christian view?

And, further, to what extent should the Christian strategic leader exhibit *followership* in terms of submission to the lordship of Christ and His will for our lives (e.g., Eph. 2:10)? Should this process be private or public? Does a display of submission to Jesus as Lord weaken the strategic leader's image in the view of his/her charges? And, does this followership represent a

constraint on the discretion available to the Christian leader? That is, does the Christian strategic leader have fewer options strategically than the non-Christian leader? Certainly this must be true to some extent.

I have found that, in teaching strategic leadership, one particular biblical example (among others)

Does ... submission to Jesus ... weaken the strategic leader's image ... ?

works especially well in this area. The first seven chapters of the book of

Nehemiah portray a man who is filled with passion for an important mission (as should be all great strategic leaders). Throughout this narrative, Nehemiah, as a strategic leader, seeks the Lord's blessing for his efforts, ensures access to critical resources, instills his passion into his co-laborers, defends the new organization against external threats, defends the organization against internal threats, protects the organization's reputation, makes an important statement about ethical behavior through example and discipline, sees the effort through to fruition, and secures the future of the organization through succession and financial planning (see Appendix A). While Nehemiah

is just one of many possible biblical examples of great strategic leadership,¹³ his example is especially useful in noting the Christian strategic leader's need to discern the Lord's will and vision for the organization and to create the environment necessary for the people to accomplish that vision.

Innovation and Entrepreneurship

While it is not possible to do the subject justice, I mention briefly the area of innovation and entrepreneurship because many texts attempt to address this complex subject, while others simply incorporate it into other subject areas. Innovation is of such importance in organizational life that it is perhaps more properly the subject of a separate textbook or course, and indeed some universities have begun to offer courses in knowledge management and innovation. Nonetheless, we can begin the discussion here of how innovation and entrepreneurship might be addressed in the Christian strategic management classroom. Where texts treat innovation and entrepreneurship separately, they often discuss the sources of organizational innovation, such as internal research and development efforts,

cooperative arrangements such as joint ventures, and the acquisition of small firms that have demonstrated capabilities in the area of innovation. Traditional texts note that innovation is not simply applied to the realm of technology, but involves the improvement and advancement of many organizational facets, such as structures, management systems, processes, etc.

In the Christian classroom, we may note that the fruits and process of innovation are the gifts of a God Who allows us to discover. As noted earlier, the very chaos that our orderliness eliminates is the source of much innovation and entrepreneurship. Is it possible that God supplies chaos as well as order? Or we may wonder whether there are things that we are not meant to discover or pursue, going all the way back to the knowledge of good and evil (e.g., Gen. 3:22-24; also, Gen. 11:1-9). Might our technological and innovative pursuits be devoid of wisdom? Is discovery and innovation valuable for its own sake? While organizations (and society) may make great use of advancements in biogenetic technologies, are these discoveries gifts from God, or are they a part of man's ever-

advancing attempts to become God?

We might also discuss why man has always been so entrepreneurially focused. As humans are made in the image of God (see Gen. 1:26, 27), we may discuss the degree to which the entrepreneurial spirit and innovative tendencies in humans are reflections of God's creative nature. Yet, in our fallen state, do humans pursue innovation and entrepreneurship without the wisdom necessary to control our findings? That is, because man is created, fallen, and in need of redemption, is it true that all of man's creations must be "fallen" and in need of redemption? How then do we, as Christians, redeem our creations? What does it mean to redeem innovations, technological or otherwise?

The process of innovation in organizations is of great strategic importance, and Christians must be creative and innovative in their economic pursuits. But we are also to be good stewards of both the process and outcomes of innovation and entrepreneurship.

Conclusion

Naturally, space does not permit the consideration of all possible strategic management subjects, nor all perspectives on

the topics included herein. The discussion in this paper is intended to facilitate further talk among professors and teachers of strategic management in Christian universities and colleges in order to develop a useful framework to be used by all who wish to teach from a Christian perspective. Further, I believe this framework will be amenable to further development by Christian scholars and teachers who will want to add their insights to the discussion. I end in agreement with Harwood Hoover, whose summary observation ought to be made clear to all business students learning from a Christian worldview:

The commandments and injunctions in Scripture are given as categorical imperatives. They thus specify a means or a way of life with no guarantee concerning worldly ends. The market may or may not reward the individual Christian's activities. The individual Christian who follows scriptural imperatives [regarding market activities] may be blessed with great wealth or tested with the rigor that was the test of Job (Job 1:6-12). In either case, Christians remain committed to a particular way of life.¹⁴

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ENDNOTES

¹A comprehensive discussion of this issue is offered in George Marsden's *The Outrageous Idea of Christian Scholarship* (1997).

²Richard Hughes, *How Christian faith can sustain the life of the mind* (Grand Rapids, MI: Wm. B. Eerdmans, 2001) p. 98.

³In order to facilitate the discussion of strategic management in a Christian context, I offer a relatively open framework in that it is conducive to input from other contributors. Within this framework, strategic management topics have been collapsed into six larger categories. No attempt is made at exhaustiveness of possible strategic management topics; however, I believe that most teachers of strategic management will recognize the following topics and issues as fairly comprehensive in terms of those covered by leading textbooks. While rudimentary definitions are provided, little effort is made to duplicate textbook material, and reference to textbook material will be made for those not already familiar with the basics of each topical area.

⁴I must also note that, where reference is made to the Christian firm or Christian businesses or organizations, I am referring either to firms that operate in Christian industries or that *consciously* seek to project a Christian identity on the basis of the firm's ownership, management, culture, values, and employees, including various combinations of each of these.

⁵I appreciate an anonymous reviewer's tip on this point. See David C. Korten's *When Corporations Rule the World* (2001) for a passionate example of this perspective.

⁶Thanks are due to an anonymous reviewer for pointing out this complexity.

⁷See Harwood Hoover's interesting essay on Christian ethics in the market in the *Journal of*

Biblical Integration in Business (Fall 1998, pp. 50-73).

⁸For an interesting discussion in class, one might develop a profile of the shepherd manager from passages such as Ezekiel 34, Luke 15 (esp. vv. 4-7), John 10 (esp. vv. 11-15), and Psalm 23. Then, the class may be able to explore how such a manager might be able to set the sheep out of the fold — that is, proceed with downsizing — especially for short-term financial gain.

⁹By cooperative ventures here I refer to the numerous types of formal partnerships in which firms engage, including licensing, franchising, equity strategic alliances, non-equity strategic alliances, and joint ventures. The quality that matters most in delimiting these types is that it represents an arrangement in which two or more firms agree to share assets and/or capabilities for a period of time, but in which one firm has not acquired ownership or control of the cooperating partner.

¹⁰For comprehensive discussions of Stewardship Theory, see Davis and Schoorman (1997) and Donaldson and Davis (1991).

¹¹The discussion in this section benefited greatly from the insights of Loren Gustafson.

¹²See Chapter 1 of H. Richard Niebuhr's *Christ and Culture* for a great discussion of this issue.

¹³See Creighton, Arendall, and Pray in *JBIB* (1995) for this and other examples.

¹⁴Hoover, p. 67.

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JBIB

APPENDIX A

Nehemiah as a Strategic Leader

- Passion and vision about something worthwhile — Chapter 1. He was emotionally touched by the account of the temple's disrepair (the city walls and the gates) and prayed for God to allow him to be useful in solving the problem. He did not enter into the venture without beseeching the Lord's blessings first.
- Securing support and access to critical resources — 2:1-9. He prayed and asked for God's coverage; he asked the king for temporary freedom, for the king's blessing, the king's protection, and access to the king's resources (timber).
- Gathering intelligence about the environment — 2:11-16. He worked to gather information in a subtle way so that his competitors would not be able to react quickly or well.
- Organizing a work force and motivating them not with wealth, but with vision — 2:17-18; Chapter 3.
- Protecting the organization from outside threats — 1:10; 2:19-20; Chapter 4. Not only did he invoke God's protection over the organization, but he also set up a security system, calming the fears of the workers.
- Dealing with internal dissension and strife — 4:10-12. He had to keep the workers motivated as he had a limited time period in which to accomplish his mission.
- Emphasizing ethical practices — 5:1-13. He took the nobles and rulers to task for charging usury and selling their own people into slavery. He led by the example of his generosity (5:14-19).
- Picking battles wisely — 6:1-4. He refused to meet his rivals on their own turf and chose to continue his work.
- Protecting the organization's reputation — 6:5-14. He refuted false claims made against them and chose not to break the law so as to protect his credibility.
- Finishing the task — 6:15-7:1. He finished the wall in an amazing amount of time.
- Securing the future of the organization — Chapter 7. He set up a system of security; he provided for an ongoing system of leadership and succession; he gained commitment from the members and leadership; he gained commitment for financial resources.