

# 1: Introducing Strategy



# Learning outcomes

- Summarise the strategy of an organisation in a ***‘strategy statement’***.
- Identify key issues for an organisation’s strategy according to the ***Exploring Strategy model***.
- Distinguish between ***corporate, business and operational strategies***.
- Understand ***how different people contribute*** to strategy at work.
- Appreciate the contributions of different ***academic disciplines and theoretical lenses*** to practical strategy analysis.

# Definitions of strategy (1)

- ‘..the determination of the long-run goals and objectives of an enterprise and the adoption of courses of action and the allocation of resource necessary for carrying out these goals’

**Alfred Chandler**

- ‘Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value’

**Michael Porter**

## Sources:

A.D. Chandler, *Strategy and Structure: Chapters in the History of American Enterprise*, MIT Press, 1963, p. 13

M.E. Porter, ‘What is strategy?’, *Harvard Business Review*, 1996, November–December, p. 60

# Definitions of strategy (2)

- ‘..a pattern in a stream of decisions’

*Henry Mintzberg*

- ‘..the long-term direction of an organisation’

*Exploring Strategy*

## Sources:

H. Mintzberg, *Tracking Strategy: Toward a General Theory*, Oxford University Press, 2007, p. 3

# Strategic decisions

## Strategic decisions are about:

- The **long-term** direction of an organisation
- The **scope** of an organisation's activities
- Gaining **advantage** over competitors
- Addressing changes in the **business environment**
- Building on resources and competences (**capability**)
- **Values and expectations** of stakeholders

## Therefore they are likely to:

- Be **complex** in nature
- Be made in situations of **uncertainty**
- Affect **operational** decisions
- Require an **integrated** approach (both inside and outside an organisation)
- Involve considerable **change**

# Three horizons for strategy (1)

- **Horizon 1 :**

*Extend and defend core business.*

- **Horizon 2 :**

*Build emerging businesses.*

- **Horizon 3 :**

*Create viable options.*

# Three horizons for strategy (2)

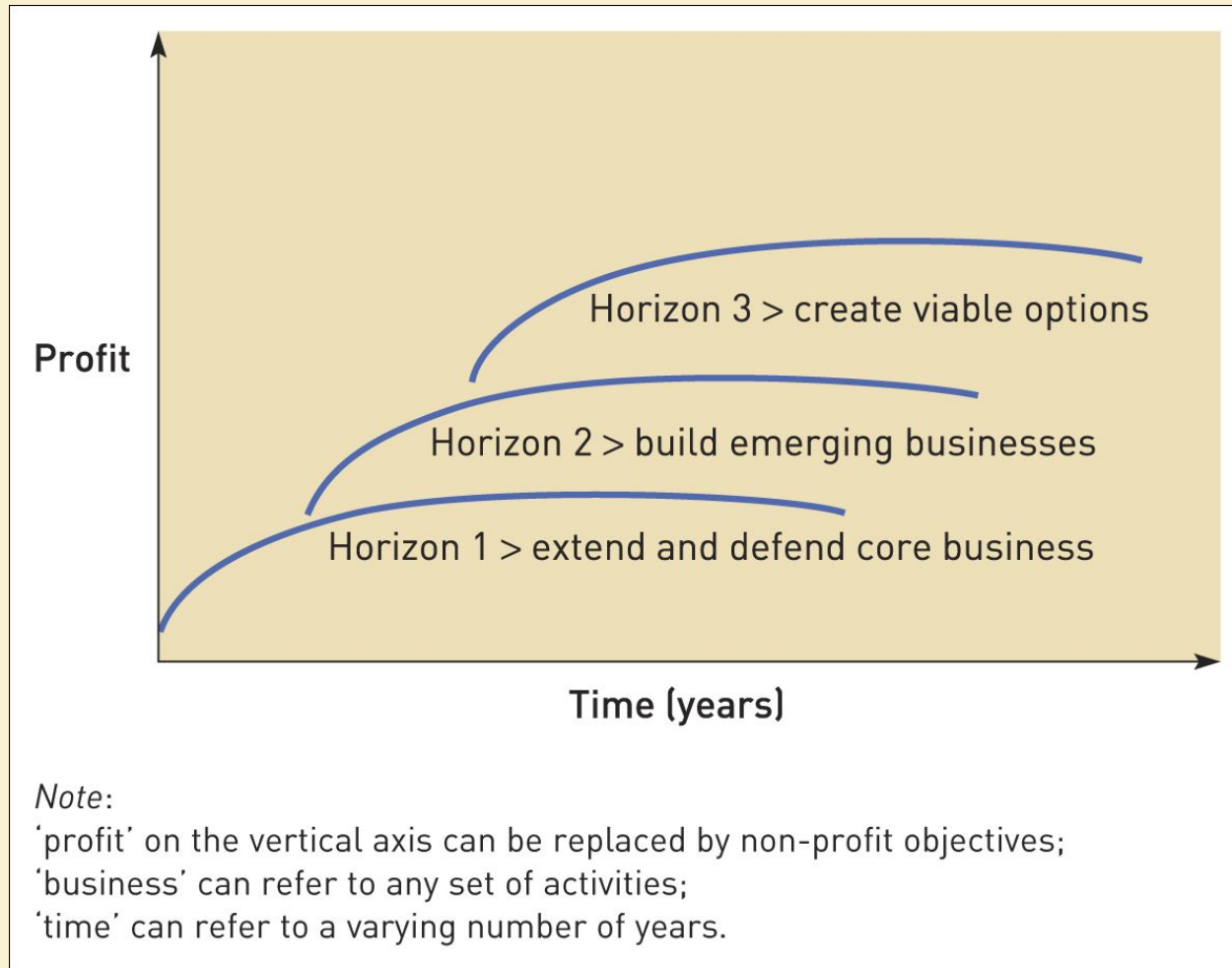


Figure 1.2 Three horizons for strategy

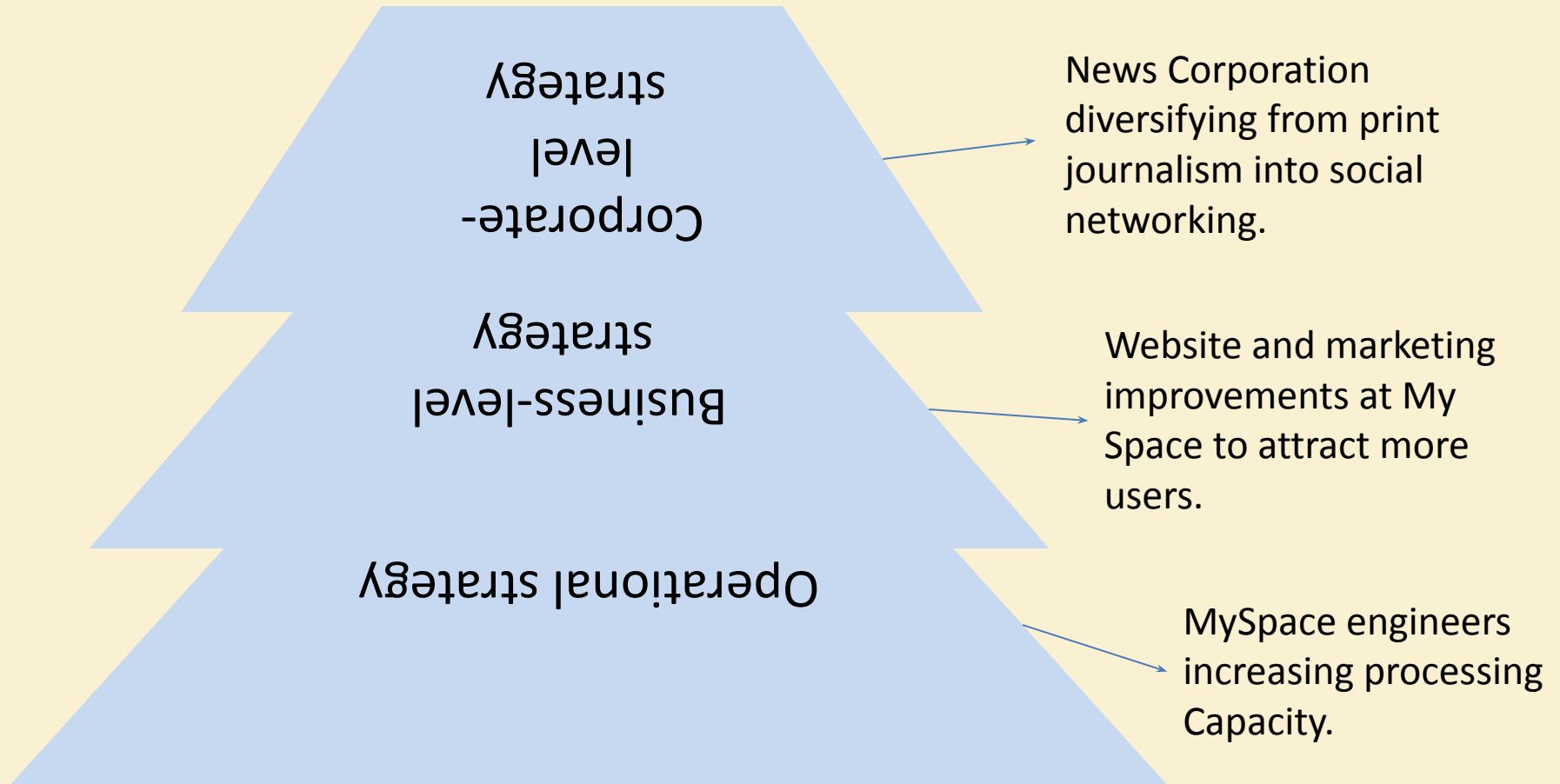
Source: M. Baghai, S. Coley and D. While, *The Alchemy of Growth*, 2000, Texere Publishers: Figure 1.1, p. 5

# Stakeholders

*Stakeholders are those individuals or groups that depend* on an organisation to fulfil their own goals and on whom, in turn, the organisation depends.



# Levels of strategy (1)



# Levels of strategy (2)

- **Corporate-Level Strategy** is concerned with the overall purpose and scope of an organisation and how to add value to business units.
- **Business-Level Strategy** is concerned with the way a business seeks to compete successfully in its particular market.
- **Operational Level Strategy** is concerned with how different parts of the organisation deliver the strategy in terms of managing resources, processes and people.

# Strategy statements



**Strategy statements should have three main themes:**

- the fundamental **goals** that the organisation seeks, which draw on the stated mission, vision and objectives
- the **scope** or domain of the organisation's activities
- and the particular advantages or **capabilities** it has to deliver all these.

# Working with strategy (1)

## All managers are concerned with strategy:

- *Top managers* frequently formulate and control strategy but may also involve others in the process.
- *Middle and lower level managers* have to meet strategic objectives and deal with constraints.
- *All managers* have to communicate strategy to their teams.
- *All managers* can contribute to the formation of strategy through ideas and feedback.

# Working with strategy (2)

## Organisations may also use strategy specialists:

- Many large organisations have in-house *strategic planning or analyst roles*.
- *Strategy consultants* can be engaged from one of many general management consulting firms (e.g. Accenture, IBM Consulting, PwC).
- There are a growing number of *specialist strategy consulting firms* (e.g. McKinsey &Co, The Boston Consulting Group).

# Strategy's three branches (1)

- **CONTEXT** – *internal and external.*
- **CONTENT** – *strategic options.*
- **PROCESS** – *formation and implementation.*

# Strategy's three branches (2)

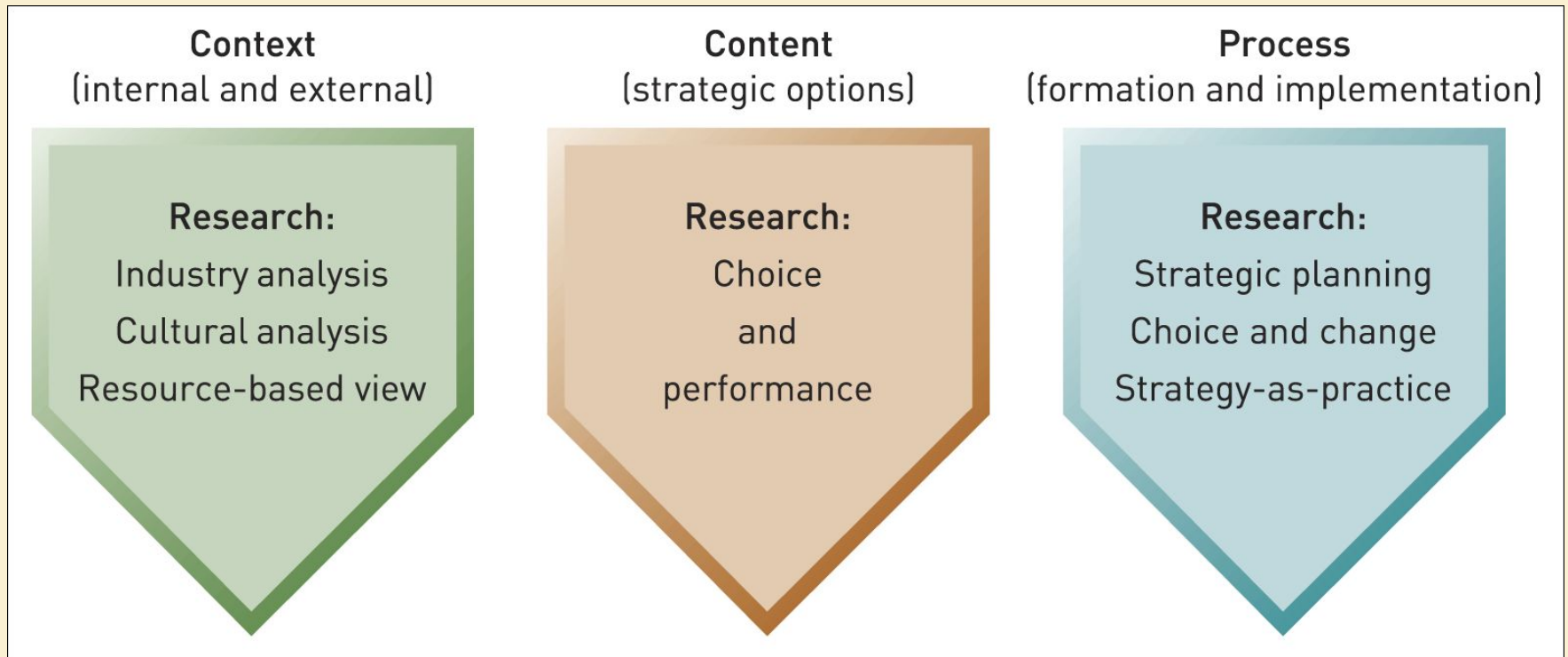


Figure 1.3 Strategy's three branches

# The exploring strategy model



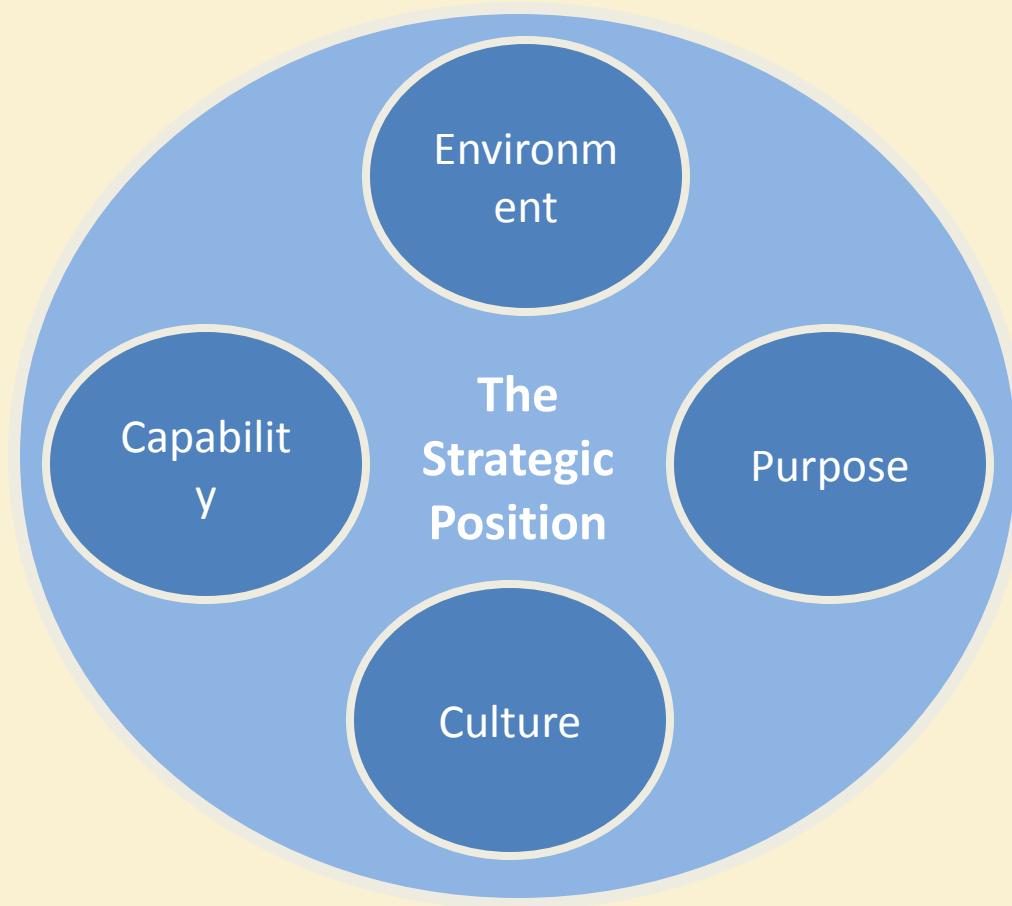
Figure 1.4 The *Exploring Strategy* Model



# Strategic position (1)

The strategic position is concerned with the impact on strategy of the *external environment*, the organisation's *strategic capability* (resources and competences), the organisation's *goals* and the organisation's *culture*.

# Strategic position (2)



# Strategic position (3)

## *Fundamental questions for Strategic Position:*

- What are the *environmental opportunities and threats*?
- What are the organisation's *strengths and weaknesses*?
- What is the basic *purpose* of the organisation?
- How does *culture* shape strategy?

# Strategic choices (1)

***Strategic choices*** involve the options for strategy in terms of both the *directions* in which strategy might move and the *methods* by which strategy might be pursued.

# Strategic choices (2)



# Strategic choices (3)

## *Fundamental questions for Strategic Choice:*

- How should business units *compete*?
- Which businesses to include in the *portfolio*?
- Where should the organisation *compete internationally*?
- Is the organisation *innovating* appropriately?
- Should the organisation *buy* other companies, form *alliances* or *go it alone*?

# Strategy in action (1)

***Strategy in action*** is about how strategies are *formed* and how they are *implemented*. The emphasis is on the *practicalities* of managing.

# Strategy in action (2)





# Strategy in action (3)

## *Fundamental questions for Strategy in Action*

- Which strategies are *suitable, acceptable and feasible*?
- What kind of *strategy-making process* is needed?
- What are the required *organisation structures and systems*?
- How should the organisation manage necessary *changes*?
- Who should do what in the *strategy process*?

# Exploring strategy in different contexts

*The Exploring Strategy Model can be applied in many contexts.*

In each context the balance of strategic issues differs:

- **Small Businesses** (e.g. Purpose and Growth issues)
- **Multinational Corporations** (e.g. Geographical Scope and Structure/Control issues)
- **Public Sector Organisations** (e.g. Service/Quality and Managing Change issues)
- **Not For Profit Organisations** (e.g. Purpose and Funding issues)

# The strategy lenses (1)



***The strategy lenses*** are ways of looking at strategy issues differently in order to generate many insights. Looking at problems in different ways will raise new issues and new solutions.

# The strategy lenses (2)

Strategy can be seen as:

- *Design*
- *Experience*
- *Variety (Ideas)*
- *Discourse*

# Strategy as design

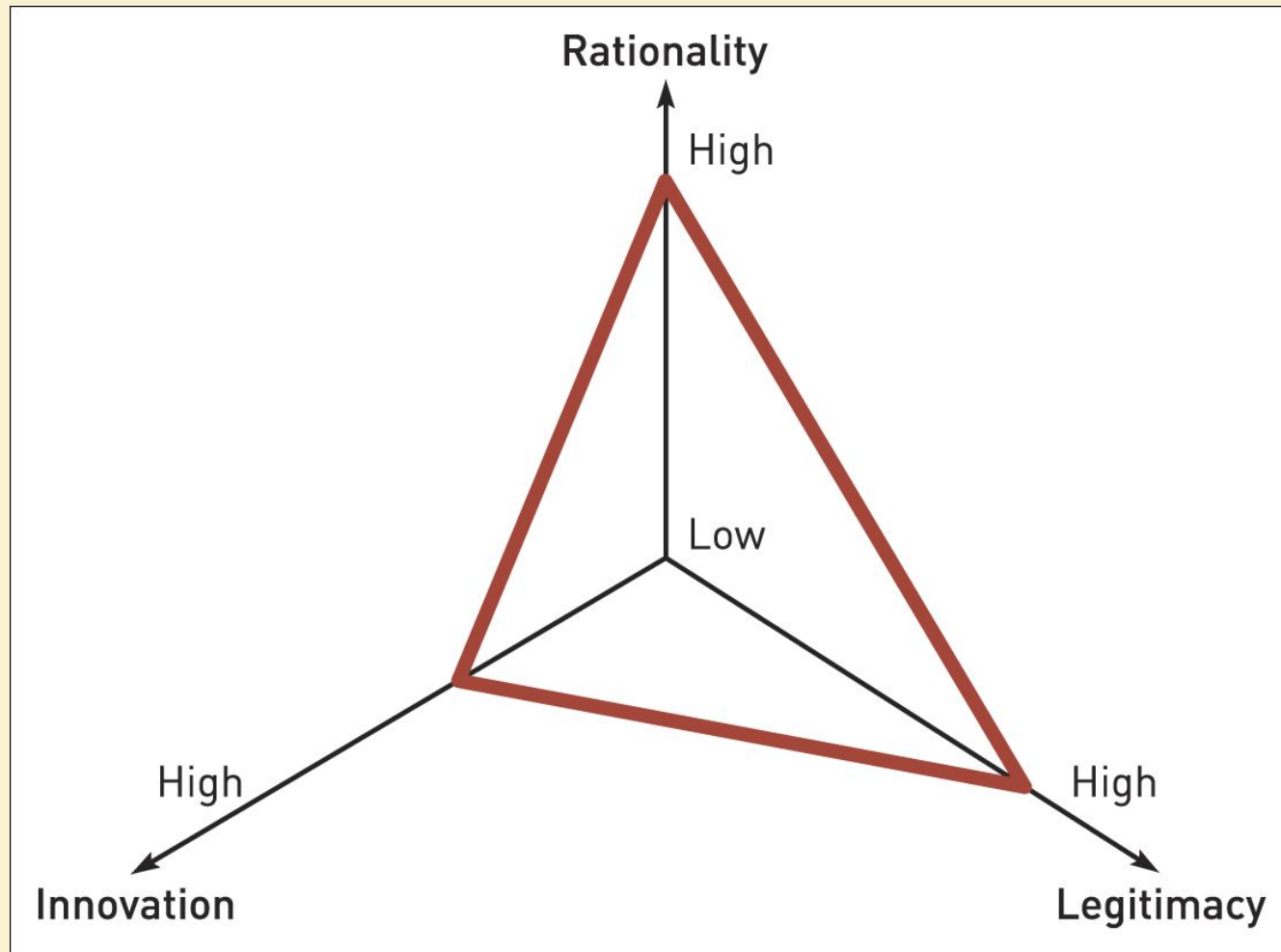


Figure C.i Design lens

# Strategy as experience

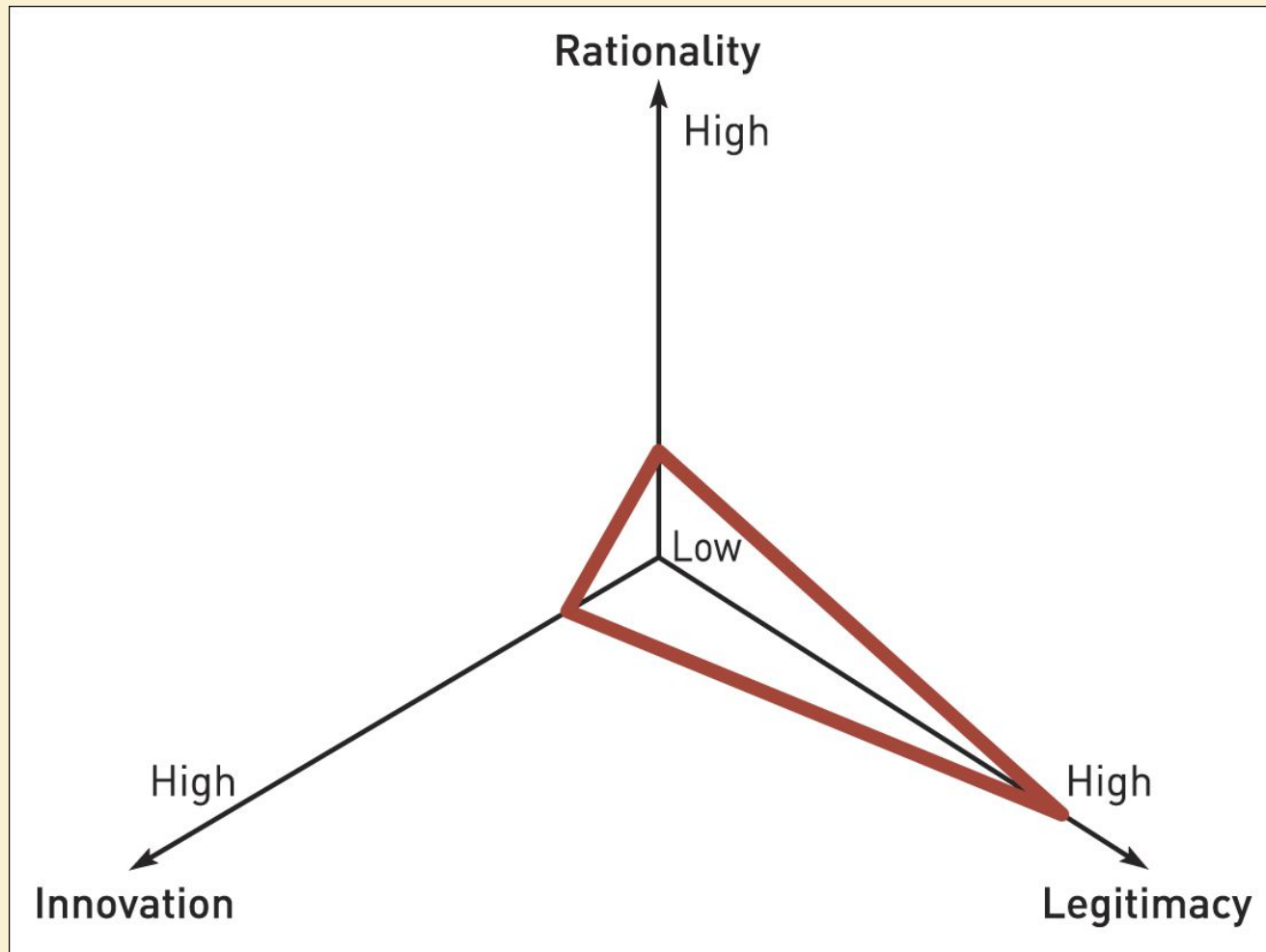


Figure C.ii Experience lens

# Strategy as variety

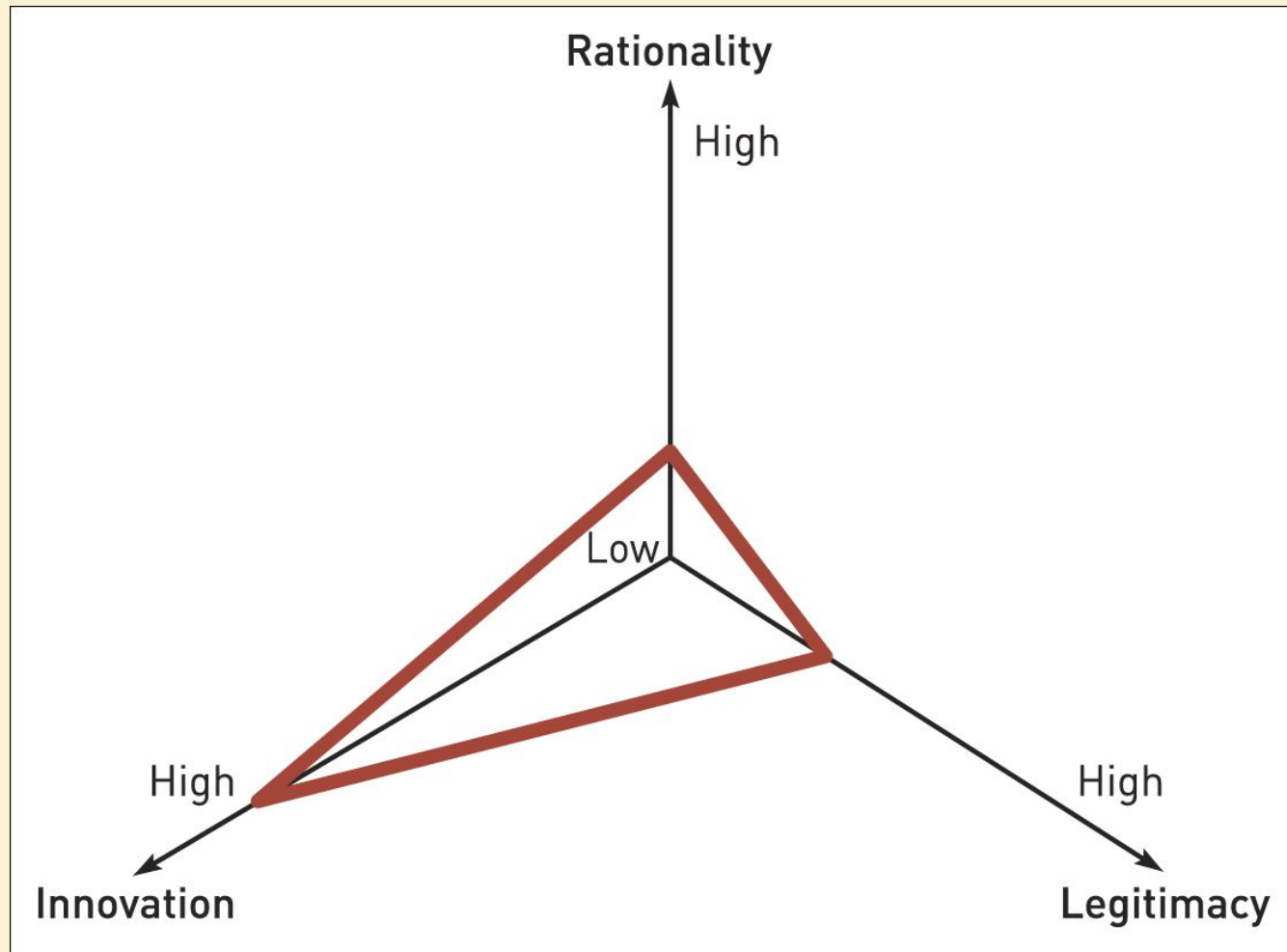


Figure C.iii Variety lens

# Strategy as discourse

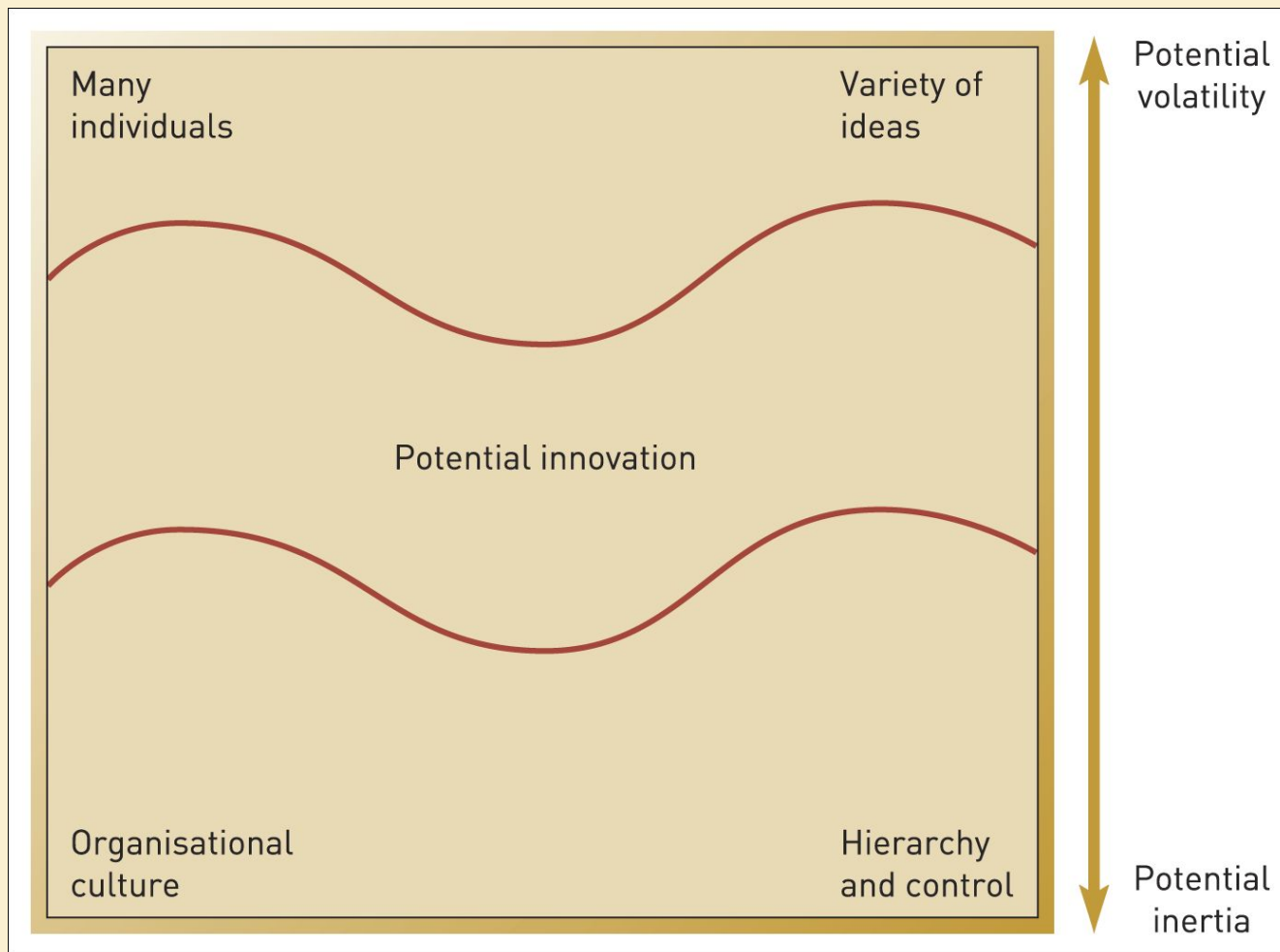


Figure C.iv **Adaptive tension**



# The strategy lenses summary

Strategy as:				
	Design	Experience	Variety	Discourse
<b>Strategy develops through . . .</b>	A logical process of analysis and evaluation	People's experience, assumptions and taken-for-granted ways of doing things	Ideas bubbling up from the variety of people in and around organisations	Managers seeking influence, power and legitimacy through the language they use
<b>Assumptions about organisations</b>	Mechanistic, hierarchical, rational systems	Cultures based on experience, legitimacy and past success	Complex and potentially diverse organic systems	Arenas of power and influence
<b>Role of top management</b>	Strategic decision-makers	Enactors of their experience	'Coaches', creators of context and pattern-recognisers	Exercising or gaining power and influence over others
<b>Key implications</b>	Undertake careful and thorough analysis of strategic issues	Recognise that people's experience is central and needs to be built upon but also challenged	If innovation is important look for ideas bubbling up from the bottom and periphery of the organisation	Unpick the language used by managers to uncover hidden assumptions and political interests

Table C.ii A summary of the strategy lenses

# Chapter summary (1)

- Strategy is the *long-term direction* of an organisation. A 'strategy statement' should cover the *goals* of an organisation, the *scope* of the organisation's activities and the *advantages or capabilities* the organisation brings to these goals and activities.
- *Corporate-level strategy* is concerned with an organisation's overall scope; *business-level strategy* is concerned with how to compete; and *operational strategy* is concerned with how resources, processes and people deliver corporate- and business-level strategy.
- *Strategy work* is done by *managers* throughout an organisation, as well as *specialist strategic planners* and *strategy consultants*.

# Chapter summary (2)

- Research on strategy *context, content and process* shows how the analytical perspectives of economics, sociology and psychology can all provide practical insights for approaching strategy issues
- The Exploring Strategy Model has three major elements: understanding the *strategic position*, making *strategic choices* for the future and managing *strategy-in-action*.
- Strategic issues are best seen from a variety of perspectives, as exemplified by the four *strategy lenses of design, experience, variety and discourse*.