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## Chapter 1 : Introducing Strategy

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### Introduction

Strategy is about key issues for the future of organizations (ex : how should Apple compete in the computer/tablet market with google). Strategy questions are vital to the organizations involved.

#### I- What is Strategy?

Strategy: long-term direction of an organization (trajectory)

EX : Amazon -> from book retailing to internet services

##### 1) Defining strategy

« 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 D. CHANDLER**

Courses of action = plans d'action

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

**Michael PORTER**

Set of activities = ensemble d'activités

« a pattern in a stream of decisions »

**Henry MITZBERG**

A stream of decisions : une série de décisions

« the long term direction of an organization »

Book

->AV : include both deliberate and logical strategy and more incremental, emergent patterns of strategy.

It also includes both difference and competition strategy.

#### ■ The long term

The importance of a long term strategy is emphasized by the « three horizons » framework.

It suggests organizations should think of themselves as comprising three types of business or activity, defined by their 'horizons' in terms of years.

#### Three horizons





**Horizon 1:** businesses are basically the current activity

**Horizon 2:** businesses are emerging activities that should provide new sources of profit

**Horizon 3:** possibilities, risky research and development projects, start-up ventures.... For a fast-moving company, this horizon might generate profits only a couple years from the present time.

=> Strategy involves pushing out Horizon A as far as possible, at the same time as looking to Horizon 2 and 3.

#### ■ *Strategic direction.*

Every company choose its direction.

→ Public-sector and charity organization can set their strategy to their objectives

→ private-sector: profit is not only the sole criterion for strategy.

→ Family businesses: may sacrifice the maximization of profit for family objectives.

#### ■ *Organisation*

***Organizations involve complex relationship (internally and externally) with stakeholders.***

### 2) Levels of strategy

Inside an organisation, strategies can exist at three main levels

■ ***Corporate level strategy* is concerned with the overall scope of an organisation and how value is added to the constituent businesses of the organisational whole.**

■ ***Business-level strategy ('competitive strategy')* is about how the individual businesses should compete in their particular markets.**

→ Public sector: the equivalent of business-level strategy is decisions about how units (EX individual schools) should provide best-value services.

■ ***Operational strategies* are concerned with how the components of an organisation deliver effectively the corporate- and business-level strategies in terms of resources, processes and people.**

⇒ Each level needs to be aligned with the others (importance of *integration*).

### 3) Strategy statements (define what organization is).

**David Collins & Michael Rukstad** (Harvard Uni): all entrepreneurs and managers should be able to summarise their organisations' strategy with a **strategy statement** that should have three main themes: the **fundamental goals** (mission, vision or objectives), the **scope** or domain of the organisation's activities; and the particular **advantages** or capabilities it has to deliver all of these. They suggest that strategy statements should be no more than 35 words long (keep focused on the essentials & easy to remember).

■ ***Mission.*** Refers to the overriding purpose of the organisation. 'What business are we in?' This helps keep managers focused on what is central to their strategy.

■ ***Vision.*** Refers to the desired future state of the organisation => aspiration which can help mobilise the energy and passion of organisational members. It answers the question 'what do we want to achieve?'



- **Objectives.** These are more precise and ideally quantifiable statements of the organisation's goals over some period of time.
- **Scope.** Refers to three dimensions : customers, geographical location, extent of internal activities.
- **Advantages.** Describe how the organisation will achieve the objectives it has set for itself in its chosen domain. In competitive environment, this refers to competitive advantage -> compared to rivals.

## II- The exploring strategy model

The exploring strategy model includes:

- understanding the *strategic position* of an organisation
- assessing *strategic choices* for the future
- managing *strategy in action*

### 1) Strategic position

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

- **Environment.** Organizations operate in a complex political, economic, social and technological world. These environment vary widely in terms of their dynamism and attractiveness.
- **Strategic capability.** Each organization has its own strategic capabilities, made up of its resources (machines & buildings) and competences (technical & managerial skills). The question on capability regards the organization's *strengths* and *weaknesses*.
- **Strategic purpose.** Most organizations claim for themselves a particular purpose, as encapsulated in their vision, mission and objectives.
- **Culture.** Organizational cultures can also influence strategy. So can the cultures of a particular industry or particular country. These culture are typically a product of an organization's history.



### 2) Strategic choices



**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 -> *actions* .

- *Business strategy*. There are strategic choices in terms of how the organisation seeks to compete at the individual business level.  
->how should the business unit compete?
- *Corporate strategy and diversification*. The highest level of an organisation is typically concerned with issues of corporate scope; in other words, which businesses to include in the portfolio. This relates to the appropriate degree of diversification. Corporate level strategy is also concerned with internal relationships, both between business units and with the corporate head office.
- *International strategy*. Internationalisation is a form of diversification, but into new geographical markets -> where internationally should the organisation compete?
- *Innovation and entrepreneurship*. Some organisations have to innovate constantly to survive  
->whether the organisation is innovating appropriately
- *Acquisitions and alliances*. Organisations have to make choices about methods for pursuing their strategies. Many organisations prefer to build new businesses with their own resources. Other organisations develop by acquiring other businesses or forming alliances with complementary partners.  
-> is whether to buy another company, ally or to go alone?

### 3) Strategy in action

Managing **strategy in action** is about how strategies are formed and how they are implemented.

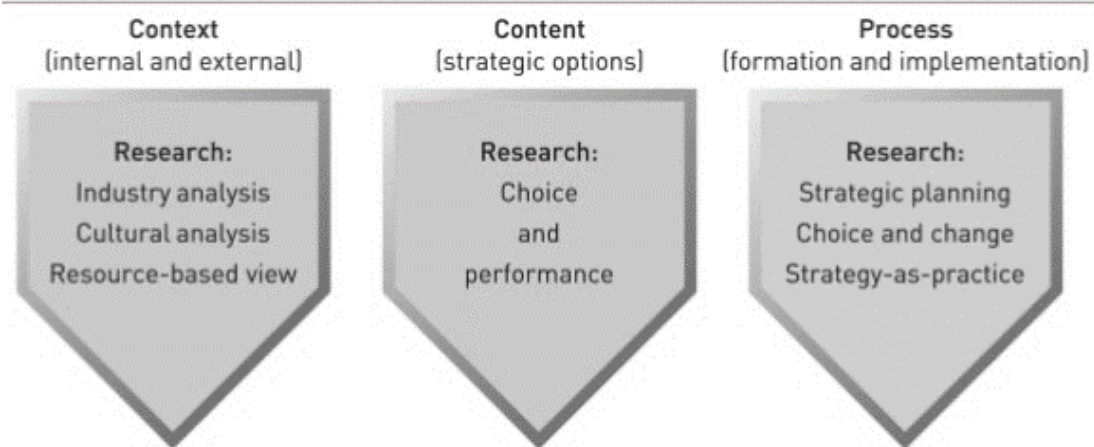
- *Strategy performance and evaluation*. Managers have to decide whether existing and forecast performance is satisfactory and then choose between options that might improve it.  
-> are the options suitable in terms of matching opportunities and threats; are they acceptable in the eyes of significant stakeholders; are they feasible given the capabilities available?
- *Strategy development processes*. Strategies are often developed through formal planning processes. But sometimes the strategies an organization actually pursue are emergent.  
-> What kind of strategy process should an organization have?
- *Organizing*. Once a strategy is developed, the organization needs to organize for successful implementation. Each strategy requires its own specific configuration of structures and systems.  
-> What kinds of structures and systems are required for the chosen strategy?
- *Leadership and strategic change*. In a dynamic world, strategy involves change and managing change involves leadership. There are different styles and different levers for change -> manage change and make people engaged in the company in order to succeed.  
-> Should the organization manage necessary changes entailed by the strategy?
- *Strategy practice*. Who should do what in the strategy process?

## The Strategy Checklist - The 14 fundamental questions in strategy

Strategic Position	Strategic Choices	Strategy in Action
<ul style="list-style-type: none"> <li>What are the environmental opportunities and threats?</li> </ul>	<ul style="list-style-type: none"> <li>How should business units compete?</li> <li>Which businesses to</li> </ul>	<ul style="list-style-type: none"> <li>Which strategies are suitable, acceptable and feasible?</li> </ul>



## Strategy's three branches



- **Strategy context:** refers to both internal and external contexts of organizations (take into account opportunities and threats)
  - Resource based view researchers focus on internal context, looking for the unique characteristics of each organization: the economic analysis of market imperfections, the psychologist analysis of perceptual or emotional biases, the sociological analysis of organizational cultures should reveal the particular characteristics that contribute to an organization's specific competitive advantages and disadvantages.
- **Strategy content:** concerns the nature of different strategies and their probability of success. Here the focus is on the merits of different strategic options. Strategy and performance researchers started by using economic analysis to understand the success of different types of diversification strategies.
- **Strategy process.** Examine how strategies are formed and implemented. Research here provides a range of insights to help managers in the practical process of managing strategy.
  - >Strategic planning: design rational and analytical systems for the planning and implementing strategy
  - >Choice and change: pointing to how the psychology of human perception and emotions, and the sociology of group politics and interests, tend to undermine analysis => they advice to accept the irrational, messy realities.
  - Strategy-as-practice: use micro-sociological approaches to closely examine the human realities of formal and informal strategy processes.





### III- Doing strategy differently

#### 1) Exploring strategy in different contexts

In applying the Exploring Strategy Model, it is therefore useful to ask what kinds of issues are likely to be particularly significant in the specific context being considered.

→ **Small businesses:** In Small businesses, the most important positioning issue will often be strategic purpose: this will not necessarily be profit, but might include objectives such as independence, family control, handing over to the next generation and maybe a pleasant lifestyle.

→ **Multinational Corporation:** In this context, positioning in a complex global marketplace will be very important. Likewise, operating in many different countries will raise positioning issues of culture: variations in national culture imply different demands in the marketplace and different managerial styles internally. Strategic choices are likely to be dominated by international strategy questions about which market to serve.

→ **Public sector and not-for-profits:** Charitable not-for-profits compete for funds from donors; public-sector organizations often compete on measures such as quality or service. In the absence of a clear, focused objective such as profit, purpose in the public sector and not-for-profits can be ambiguous and contentious. Strategic issue may be narrower than in the private-sector.

#### 2) Exploring strategy through different 'strategy lenses'

Exploring strategy involves searching for new angles on strategic problems. **The strategy lenses are ways of looking at strategy issues differently in order to generate additional insight.** Looking at problems in different ways will raise new issues and new solutions.

→ **Strategy as design:** strategy development can be designed in the abstract, as an architect might design a building using pens, rules, paper. The design lens encourages a detached approach to planning and analysis, valuing hard facts and objectivity. It tends to include improvisation in strategy development and gives little credit to the unpredictable, conservative or political aspect of human organizations. Taking a design lens to a strategic problem means being systematic, analytic and logical.

→ **Strategy as experience:** the experience lens recognizes that the future strategy of an organization is often heavily influenced by its experience and that of its managers. Here strategies are seen as driven not so much by clear-cut analysis as by taken-for-granted assumptions and ways of doing things embedded in people's personal experience and organization culture. Strategy is likely to build on and continue what has gone on before. Strategic dilemmas will be solved by rules of thumb, appeal to precedent and standard fixes. The experience lens suggests that the biases and routines of key decision-makers need to be understood. It sets low expectations of radical change.

→ **Strategy as variety:** sees strategy not so much as planned from the top as emergent from within a variety initiatives. New ideas bubble up through unpredictable selection processes. This lens emphasizes the importance of promoting diversity in and around organizations, in order to allow the seeding of as many genuinely new ideas as possible.

→ **Strategy as discourse:** Managers always use language, or what is here called 'discourse'. Adopting the discourse lens focuses attention on ways managers use language to frame strategic problems,



make strategy proposals, debate issues and communicate strategic decisions. This become a tool for managers to shape 'objective' strategic analyses in their favor and to gain influence, power, and legitimacy.

The point of lenses is to encourage different perspective.