

Chapter 19

Understanding Business Strategy

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ABSTRACT

To understand Business Strategy it is necessary to gain an appreciation of some of the processes that strategists have to undertake in order to analyse and execute successful business strategies. This chapter explains the importance of having an overall corporate strategy and proposes a possible logical structure for the strategic management process. The authors start by discussing the importance of the analysis of the strategic position of the company. This is followed by a discussion of the complexities involved in the strategy formulation phase. Finally, some considerations and issues are raised about the implementation of the strategic choices, as strategic execution is one of the main keys to business success.

INTRODUCTION

In this chapter we will explain the importance of organisations having an overall corporate strategy, where a well planned but flexible strategy could be complemented by using emerging and not over planned opportunities. We start by discussing the importance of the analysis of the strategic position of the company, including the external environment, its internal capability and organisational purposes. The strategy formulation

phase will be examined by explaining the usefulness of several strategic models that organisations can use in order to evaluate in terms of corporate level, business unit level and development strategies. Finally, some considerations and issues are raised concerning the third [and hardest!] stage of the strategic management process, namely, the implementation of the strategic choices. It is this execution which, as Richard M Kovacevith, CEO of Wells Fargo, states “*a second rate strategy perfectly executed will beat a first rate strategy poorly executed every time.*”¹

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Where this chapter will differ from normal strategy articles is in our utilising a possible logical structure to explain the main components of the strategic management process.

Strategy means different things to different people and there does not appear to be a single universally held view as to what it constitutes exactly. It was originally conceived by the military - and our modern day strategic approach is littered with phrases such as 'offensive strategies,' 'taking the battle to our competitors.' Two earlier proponents, Alexander the Great and the Chinese general Sun Tzu are generally thought of as the original proponents of the strategy theory, but the word "Strategos" is a Greek word derived from the following routes:

Strat from the Greek word stratos = army.
agos from the Greek word ago = lead-drive,
guide-direct

So, the main task of the General was believed to show the way, to direct, to lead the army. Similarly to those ancient Greek Generals who would be directly involved in fighting the battles together with the troops, top managers of the company should be omni- present at all levels of the organisation and lead by their example. Japanese companies provide up to date examples of this with the identification of top management with the workforce as evidenced by shared canteens, uniforms and a lack of obvious hierarchy.

We will examine three particular definitions of Strategy which give slight changes of emphasis; however, all allude to the "longer term" time span that we have to consider in developing organisations, whether for commercial, public benefit or 'not for profit' objectives.

A classical definition proposed by Alfred Chandler (1962) asserts that strategy is "...the determination of the long-run goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals." Interestingly, he ap-

pears to be writing about the need to take an active role in determining the course of the strategy - it is not a passive activity, but is one that has to be nurtured and tended.

Michael Porter, in his article titled *What is Strategy?* states that 'strategy is the creation of a unique and valuable position, involving a different set of activities' (Porter, 1996). He suggests that competitive strategy is about being different and requires choosing a different set of activities to deliver a unique mix of value.

Three writers of the modern text book *Exploring Corporate Strategy* Johnson, Scholes, & Wittington (2008) a long running strategic book provide a more comprehensive definition, arguing that strategy is "the direction and scope of an organisation over the long term: which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations." In this definition, the notion of stakeholders is introduced as being a pivotal part of the delivery of the long-term goals and aspirations of any organisation but within this longer time framework. In the UK they have carried out detailed work with a number of companies such as Foster Brothers, Marks and Spencer.

Irrespective of these differences, it is recognised that Strategy can operate at differing levels within the same organisations, the Corporate, the unit and the individual divisions. An example of this would be Ford - the parent holding company Ford, the erstwhile Premier Automotive Group (embracing Volvo, Land Rover, and Jaguar) as well as the individual companies within this framework. All will have their own individual strategies within their specific markets. Because of this, it is clear that organisations need to have a consistent, long term strategy in order to present a unique and recognisable market proposition to its customers - this will be explored further during the chapter.

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