
What is strategy?

— Dr. Vera Butkouskaya —

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- Strategic Management Framework
- The origins of business strategy

What is strategy?

Strategy

is the *direction* 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.

*A stakeholder can be defined as: Any group or individual who can affect or is affected by the achievement of an organization's objectives.



What is strategic decision?

Exhibit 1.1

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

The characteristics of strategic decisions

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**

The vocabulary of strategy

A **mission** is a *general expression* of the overall *purpose* of the organisation, which, ideally, is in line with the *values* and *expectations* of major *stakeholders* and concerned with the *scope and boundaries* of the organisation.

A **vision** is the desired future state of the organisation.

Values are the fundamental beliefs upon which your business and its behavior are based

Exhibit 1.2

The vocabulary of strategy

Term	Definition
Mission	Overriding purpose in line with the values or expectations of stakeholders
Vision or strategic intent	Desired future state: the aspiration of the organisation
Goal	General statement of aim or purpose
Objective	Quantification (if possible) or more precise statement of the goal

Mission statement

In practice, mission statements usually contain one or more of the following:

What? Who? When? Where? Why?

- Some **indication of the industry** or business the organization is mainly concerned with.
- An indication of the **realistic market share or market position** the organization should aim towards.
- A brief summary of the **values and beliefs** of the organization in relating to key **stakeholder** groups such as customers and employees.
- A summary of the geographical **location** or scope of organizational **activities**.
- Specific and highly context-dependent **objectives**.

Example

Is it a good mission statement? What can be added?

Vision, mission and value: VISIT FLORIDA

VISIT FLORIDA, the state's official tourism marketing corporation, serves as Florida's official source for travel planning to visitors across the globe. VISIT FLORIDA is not a government agency, but rather a not-for-profit corporation created as a public/private partnership.

As the state's number one industry, Florida received 87.3 million visitors in 2011 who spent more than \$67.2 billion, and over 1 million were employed in the industry.

Mission

To promote travel and drive visitation to and within Florida.

Vision

Establishes Florida as the No. 1 travel destination in the world.

Values

- Integrity
- Excellence
- Innovation
- Inclusiveness
- Welcoming
- Fun
- Teamwork.

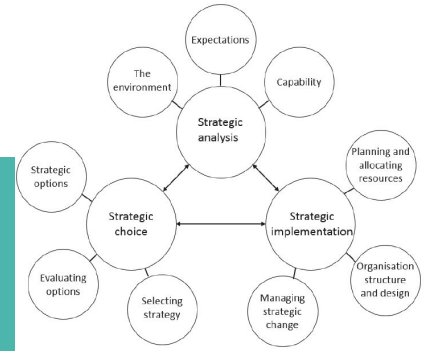


What is Strategic Management?

The strategic management process includes:
(1) analysis of the *external environment* and the organization/**strategic position**,

(2) establishment of a *strategic direction*, and *formulation* of a *strategy/strategic choice*,

(3) *implementation* of the strategy and development of a system of controls/**strategic change**.



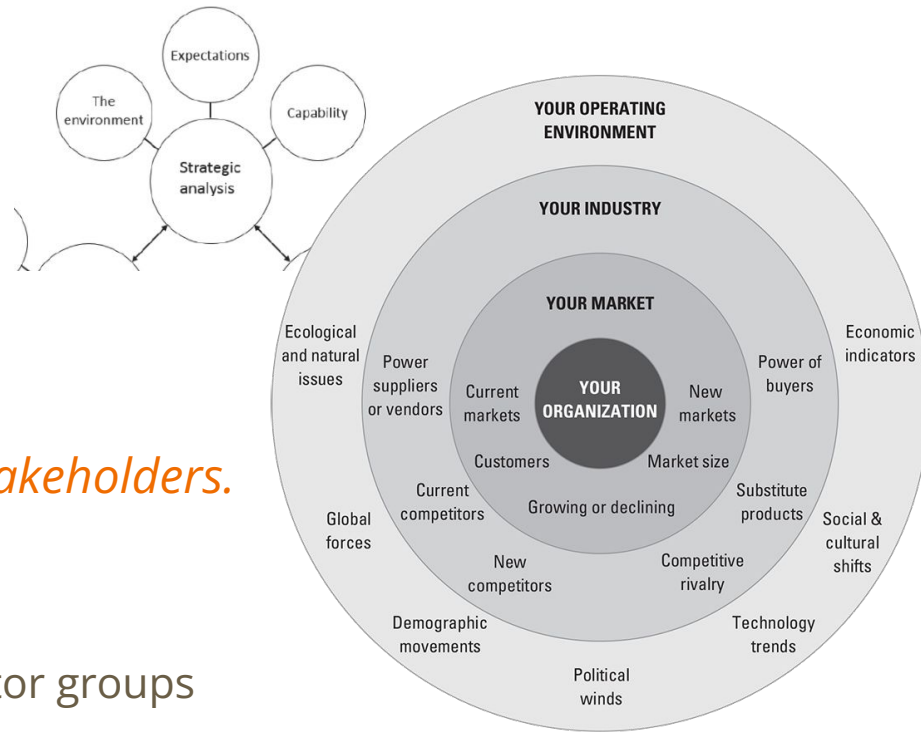
Strategic Position

The strategic position of an organisation is influenced by

- the *external environment*,
- internal *strategic capability* and
- the expectations, and *influence of stakeholders*.

Strategic Position issues:

- The environment, industry and competitor groups
- The strategic capability of the organisation
- The major influences of stakeholder expectations on an organisation's purposes



Strategic Analysis

Strategic Choices

Strategic choices include formulating the *strategy* at different levels, and the *selection* of the most suitable option.

Typical options and methods:

- Choices about the *methods* to grow at corporate level
- How to compete at the business level
- Selecting strategy

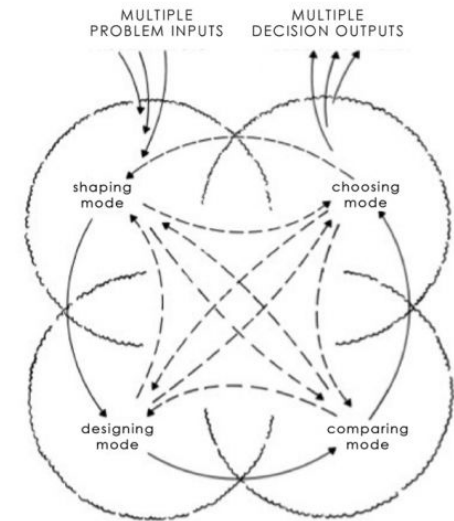


Figure 1
The process of Strategic Choice Approach (Source: Friend and Hickling 2005)

Strategy Formulation

Strategic Change

Strategy in action is concerned with issues of structure and processes for *implementing strategy*, and the *managing of change*.

Key issues for strategy in action:

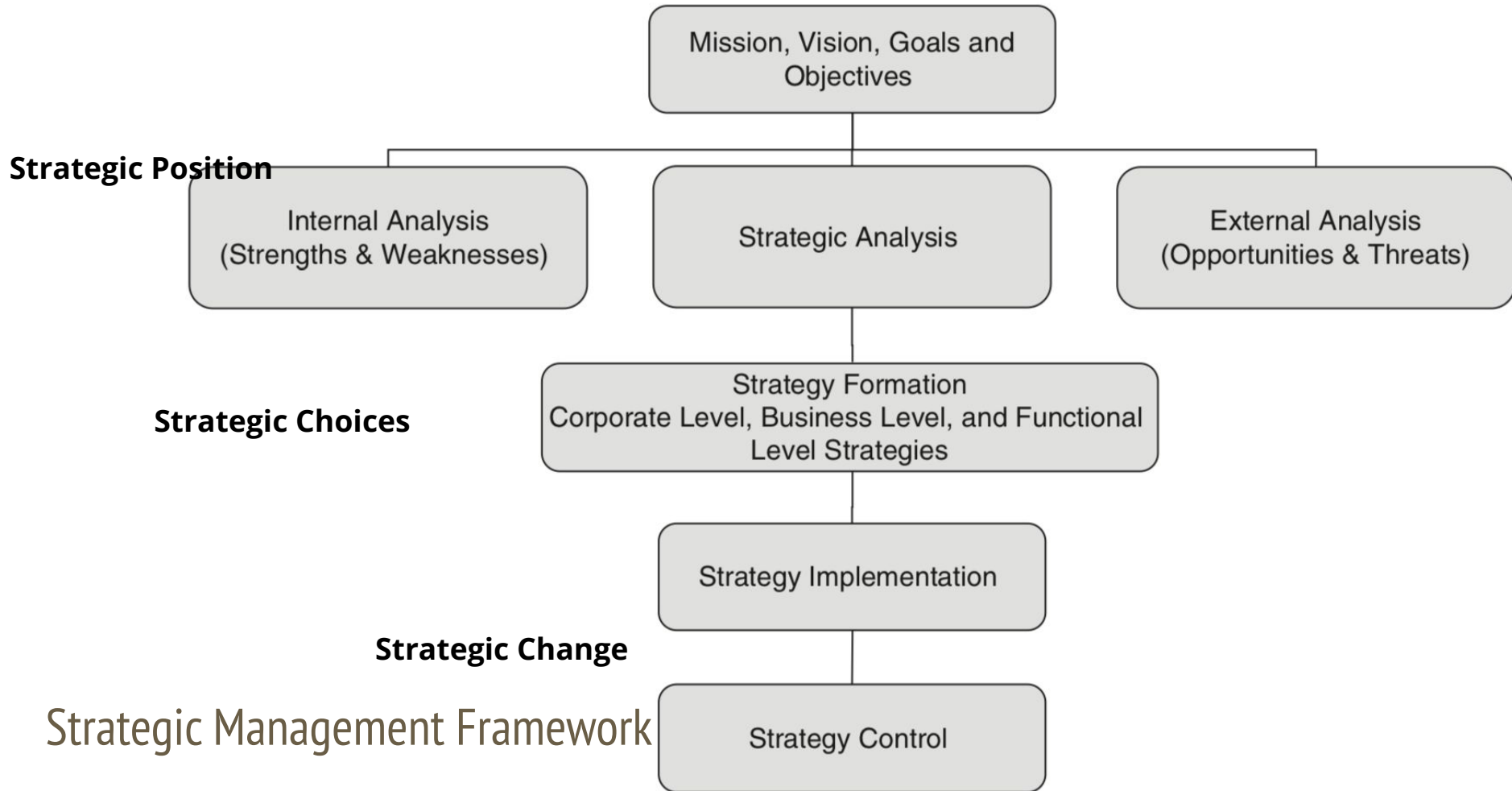
- Strategy Implementation and Organizational Processes
- Control and Evaluation of results, resource allocation
- Managing Strategic Change

Implementation and Control



5 Central Factors of Managing Strategic Change





The levels of Strategy

Corporate-level strategy, concerned with the overall scope of an organisation and how value will be added to the different parts (business units) of the organisation.

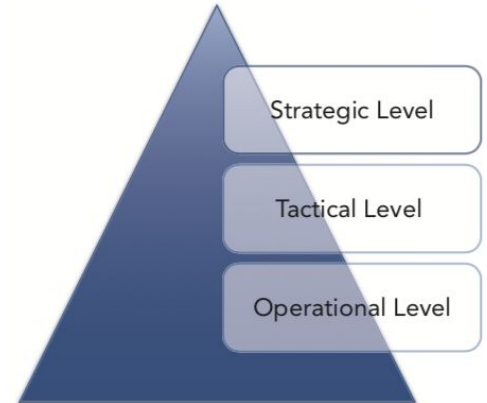
- *“Where do we want to be?”*

Business-level strategy is about how to compete successfully in particular markets.

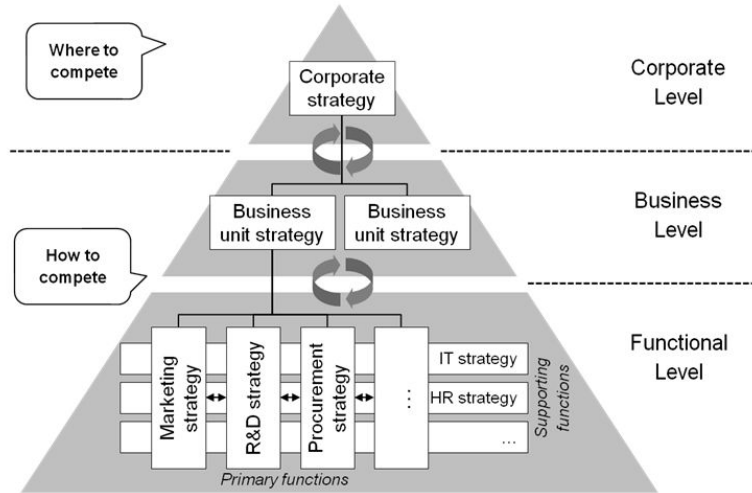
- *“How do we get there?”*

Operational/ Functional strategies are concerned with how the component parts of an organisation deliver effectively the corporate- and business-level strategies in terms of resources, processes and people.

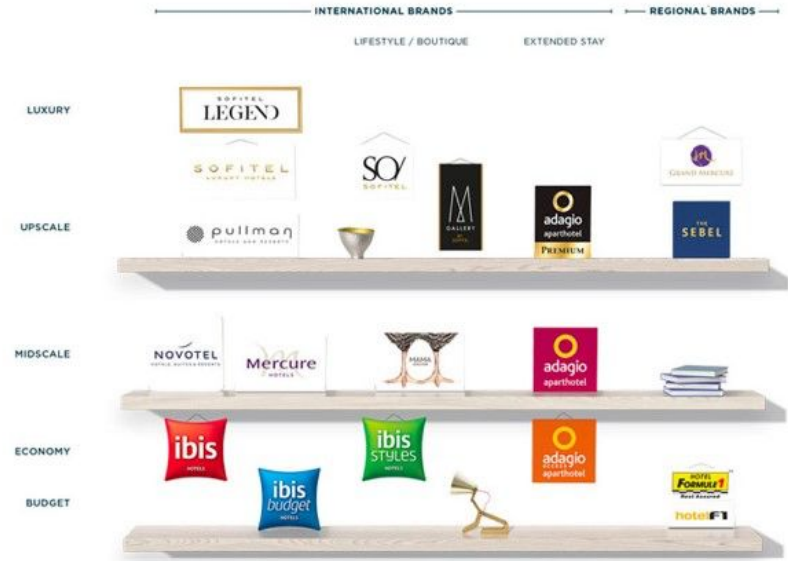
- *“What do we do to get there?”*



Example



Long-term objectives
Mid-term objectives
Short-term objectives



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- **Extend our global presence and leadership:** Continually innovate, assert our presence in new geographic areas with high potential
- **Develop leadership potential in our more than 260,000 talented employees**
- **Provide a state-of-the-art technology** to meet guests expectation and answer unmet needs.
- **Act for a meaningful hospitality:** Strive to make positive impact both locally and globally with our Planet 21 sustainable development program and our Accor Heartist Solidarity endowment fund.

[Read the biography of Sébastien Bazin](#)

Strategic Management Discipline

The strategic management discipline originated in the 1950s and 1960s.

Peter Drucker, Philip Selznick, Alfred Chandler, Igor Ansoff, and Bruce Henderson

The Traditional Perspective

- analyzing the internal and external environments of the company
- (SWOT) *strengths, weaknesses, opportunities, and threats*
- developing missions, goals, and strategies.

Result

company should select strategies that

- (1) take advantage of organizational strengths and environmental opportunities or
- (2) neutralize or overcome organizational weaknesses and environmental threats.
- Main goal → get **competitive advantage as combination of opportunities and strengths.**

internal

external

Strengths Characteristics of a business which give it advantages over its competitors	Weaknesses Characteristics of a business which make it disadvantageous relative to competitors
Opportunities Elements in a company's external environment that allow it to formulate and implement strategies to increase profitability	Threats Elements in the external environment that could endanger the integrity and profitability of the business

The Resource - Based View

Case 0.

RBV theory

Resource Based View (RBV) is an approach to achieving competitive advantage based on internal company's capabilities that emerged in 1980s and 1990s.

- Competitive advantage: VRIO resources - valuable, rare, difficult to imitate, organized

- Wernerfelt, B. ("The Resource-Based View of the Firm")
- Prahalad and Hamel ("The Core Competence of The Corporation")
- Barney, J. ("Firm resources and sustained competitive advantage")
- Others



FIGURE 1.2 The organization as a bundle of resources

THE STAKEHOLDER APPROACH

A **stakeholder approach** suggests that managers should formulate and implement processes which satisfy stakeholders' needs in order to ensure the long-term success of the firm.

Competitive advantage is build with the focus on the external environment.



Strategic Management Perspectives

	TRADITIONAL PERSPECTIVE	RESOURCE-BASED VIEW	STAKEHOLDER VIEW
ORIGIN	Economics, other business disciplines, and consulting firms Internal and external analysis	Economics, distinctive competencies, and general management capability Internal analysis	Business ethics and social responsibility External analysis
VIEW OF FIRM	An economic entity	A collection of resources, skills, and abilities	A network of relationships among the firm and its stakeholders

	TRADITIONAL PERSPECTIVE	RESOURCE-BASED VIEW	STAKEHOLDER VIEW
APPROACH TO STRATEGY FORMULATION	Situation analysis of internal and external environments leading to formulation of mission and strategies	Analysis of organizational resources, skills, and abilities Acquisition of superior resources, skills, and abilities	Analysis of the economic power, political influence, rights, and demands of various stakeholders
SOURCE OF COMPETITIVE ADVANTAGE	Best adapting the organization to its environment by taking advantage of strengths and opportunities and overcoming weaknesses and threats Strength+Opportunities	Possession of resources, skills, and abilities that are valuable, rare, and difficult to imitate by competitors VRIO	Superior linkages with stakeholders leading to trust, goodwill, reduced uncertainty, improved business dealings, and ultimately higher firm performance networking

Thank you

Questions

Next Topic 1: Strategic Position

Strategic capability	Resources, activities and processes. Some will be unique and provide 'competitive advantage'	Proximity to a fitness centre, a successful diet
Strategies	Long-term direction	Exercise regularly, compete in marathons locally, stick to appropriate diet
Business model	How product, service and information 'flow' between participating parties	Associate with a collaborative network (e.g. join running club)
Control	The monitoring of action steps to: <ul style="list-style-type: none"> ● assess effectiveness of strategies and actions ● modify as necessary strategies and/or actions 	Monitor weight, kilometres run and measure times: if progress satisfactory, do nothing; if not, consider other strategies and actions

The vocabulary of strategy. Example

