

21510 BUSINESS ORGANISATION AND STRATEGY SUMMARY NOTES

Chapter 1: Introducing Strategy

1.1. Introduction

- Strategy questions are vital to the future survival of the organisation
 - o Understand company, external challenges (competitors, broader opportunities and threats), internal resources
- Need to always be ready to discuss strategy
- Strategy matters to almost all organisations, and to everybody working in them.

1.2. What is Strategy?

Strategy is the long-term direction of an organisation.

- The long-term direction of an organisation can include both deliberate, logical strategy and more incremental, emergent patterns of strategy.
- Long-term direction can include both strategies that emphasise difference and competition, and strategies that recognise the roles of cooperation and even imitation.

The **work of strategy** is to define and express the purpose of an organisation through its mission, vision, values and objectives.

- Various other definitions by Alfred D Chandler, Michal Porter, Peter Drucker and Henry Mintzberg.

Three-horizons framework suggests organisations should think of themselves as comprising three types of business or activity, defined by their 'horizons' in terms of year

Three horizons for strategy

- **Horizon 1:** *Current core activities – extend and defend these activities.*
- **Horizon 2:** *Develop emerging activities – to generate new sources of growth and/or profit.*
- **Horizon 3:** *Create viable strategic options for the future – higher risk activities that may take years to generate growth/profits.*

Strategic Direction: strategies follow some kind of long-term direction or trajectory.

- managers and entrepreneurs try to set the direction of their strategy according to long-term objectives.

Organisation: not treated as discrete, unified entities. They involve many relationships, both internally and externally. i.e. internal and external stakeholders: people and groups that depend on the organisation and upon which the organisation itself depends.

Strategy Statement: summaries an organisation's strategy

- Ideally a **strategy statement** should include an organisation's goals (mission, vision, or objectives), scope of activities, and the advantages or capabilities it brings to these goals and activities.
- Should be no more than 35 words long. The three themes are deliberately made highly concise.
 - **Scope (or domain)** refers to three dimensions: customers or clients; geographical location; and extent of internal activities ('vertical integration').
 - **Advantage:** how the organisation will achieve the objectives it has set for itself in its chosen domain (in competitive or non-competitive environments)

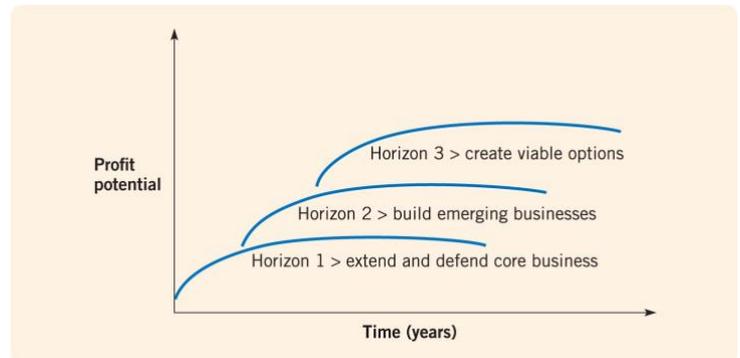
Stakeholders are those individuals or groups that depend on an organisation to fulfil their own goals and on whom, in turn, the organisation depends.

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**
- Buiding 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**



The purpose of Strategy: Mission, Vision, Values, and Objectives.

- **Mission Statement** aims to provide employees and stakeholders with clarity about what the organisation is fundamentally there to do.
- **Vision Statement** is concerned with the future the organisation seeks to create.
- **Statements of Corporate Values** communicate the underlying and enduring core 'principles' that guide an organisation's strategy and define the way that the organisation should operate.
- **Objectives** are statements of specific outcomes that are to be achieved

Strategy statements

Strategy statements should have three main themes:

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

Levels of strategy

- 1. Corporate-level strategy:** is concerned with an organisation's overall scope of an organisation and how value is added to the constituent businesses of the organisational whole
 - geographical scope, diversity of products or services, acquisitions of new businesses, and how resources are allocated between the different elements of the organisation.
 - Diversifying from the organisation's original activities into other activities (e.g. Tesla selling batteries for home use.)
 - 2. Business-level strategy:** is concerned with how to compete; and functional strategy is concerned with how corporate- and business-level strategies are actually delivered.
 - Marketing and product improvement strategies (e.g. Developing a lower cost, volume car for Tesla.)
 - 3. Functional 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.
 - Tesla's functional strategies are geared to meeting its investment needs and raising finance.
- Link for integration in strategy- each level aligned with the others. .
 - Strategy is typically complex, requiring careful and sensitive management. Strategy is rarely simple.