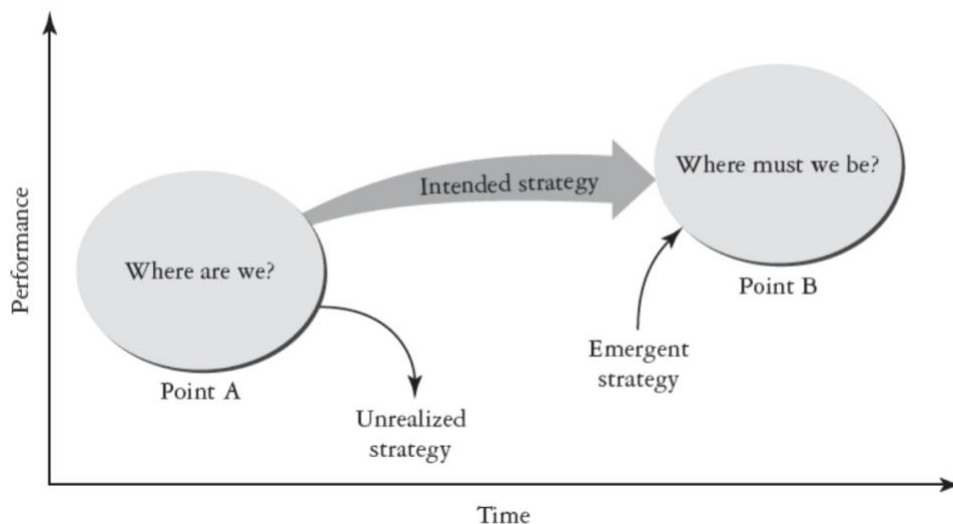


Module 2: Strategy and Global Strategy

What is Strategy?

- Strategic management – a way of managing the firm from a strategic, “big picture” perspective
 - Provides overall direction to an enterprise and involves specifying the organisation's objectives, developing policies and plans to achieve those objectives, and then allocating resources to implement the plans
- Strategy – a firm’s theory about how to compete successfully
 - Made up of two parts – formulation and implementation
 - The 5 essential components of strategy
 1. Where are we?
 2. Where must we be? – where do we want to go? What’s the destination? The future?
 3. Intended strategy – strategy that is deliberately planned for, actions/behaviours you have to undertake to get from where you are to where you want to go
 4. Unrealized strategy – some strategies might fail so you must abandon them, which strategy do you abandon?
 5. Emergent strategy – strategy based on the outcome of a stream of smaller decisions from the ‘bottom up’, incorporate new strategy to redefine new choices, decisions and where you want to go, what new strategy should we have?



- Strategy vs. tactics
 - Strategy – overall plan for deploying resources to establish a favourable position
 - Tactics – specific actions that must be taken to realise the strategy
- Characteristics of strategic decisions
 - Important – ‘make or break’ the firm
 - Involve a significant commitment of resources
 - Not easily reversible – difficult to change/reverse the strategy but it’s not impossible

Schools of Thought Surrounding Strategy

1. Strategy as plan (grand strategy)
 - Strategy is most fundamentally embodied in explicit, rigorous formal planning
 - Static philosophy
 - E.g. military strategy
2. Strategy as action (operational strategy)
 - Strategy is most fundamentally reflected by firms' pattern of actions
 - Must make quick choices and always dynamically change your plan because it is becoming increasingly impossible to have a stringent plan
 - Dynamic philosophy
3. Strategy as integration/theory
 - Strategy is neither solely about plan nor action but rather integrates elements of both schools of thought
 - Adv. of this definition
 - Integrates both planning and action schools
 - Strategy formulation and strategy implementation
 - Leverages the concept of theory which serves two purposes (explanation of the past and prediction of the future)
 - Requires replications and experimentations
 - A theory proven successful in one context during one time period doesn't necessarily mean it will be successful elsewhere
 - Replication – repeated testing of theory under a variety of conditions to establish its applicable boundaries
 - We can change strategy, but it is challenging and costly to do so
 - Understands the difficulty of strategic change
 - Past success does not guarantee future success

What Makes a Successful Strategy?

- Strategy can be considered as a bridge between:
 - The firm – goals and values, resources and capabilities, structure and systems
 - i.e. internal environment
 - The industry environment – competitors, customers, suppliers
 - i.e. external environment
- If strategy doesn't consider both these things there may be either a misfit with the external environment, misfit with the internal environment or both

