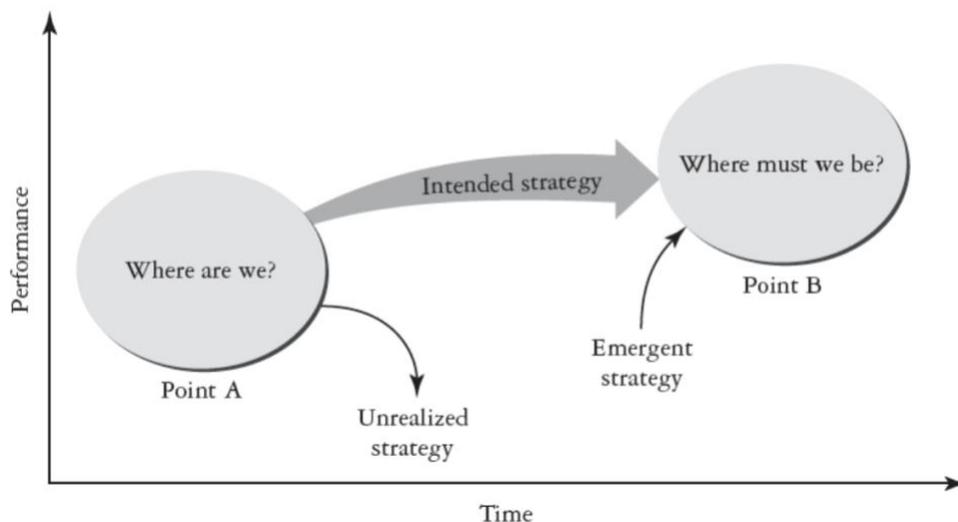


# Module 2: Strategy and Global Strategy

## 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

