

What is strategy and does it matter for a large organisation



Strategy is the long-term direction and planning that a company carries out in order to determine how it can best compete and to succeed.

Johnson and Scholes (2006) define strategy as “ the direction and scope of an organisation over the long term which achieves advantage of the organisation through its configuration of resources within a changing environment to meet the needs of the market and shareholders’ expectations. Grant describes how strategy has developed over the last 50 years from the initial budgetary planning and control favoured during the 1950s through to corporate planning, strategy and then in the 1980s and 1990s a greater emphasis on the “ quest for competitive advantage and finding that advantage from within the firm” and “ strategic innovation being the key for strategy development. ” (Grant: 2002) He cites Porter who maintained that “ competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value”. Quinn puts forward that strategy is “ the pattern or plan that integrates an organisation’s major goals, policies and action sequences into a cohesive whole. A well formulated strategy helps to marshal and allocate an organisation’s resources into a unique and viable posture based on its internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents.

” (Mintzberg et al. 2003) Most strategic writers agree that there are various ways in which organisations can develop their strategies, however, much will be dependent on the nature of the organisation, the culture and political landscape of the firm in addition to the external environment. Much debate (Mintzberg, Johnson and Scholes; Grant) has taken place between the <https://assignbuster.com/what-is-strategy-and-does-it-matter-for-a-large-organisation/>

planned and intended strategic direction and the actual emergent strategic direction that takes place. How well a firm realises its intended direction will often depend on how close the “strategic fit” of plans, resources, culture and the external environment.

Strategy is developed at three levels. Corporate level strategy is “concerned with the overall purpose and scope of an organisation and how value will be added to the different parts of the organisation” (Johnson and Scholes: 2006). Corporate level strategy will make decisions as to whether or not to adopt a global strategy, or whether to grow organically or by merger or acquisition. It was a corporate level strategy decision to develop globally by merging the two companies and in this case study.

The second level is concerned with the business development, i. e. how a company should compete in different markets, which products should be developed for which markets and how to achieve competitive advantage. By organising strategic business units in each of their major markets, Firms are hoping to achieve long-term profitability and growth of market share by being geographically close to its major markets. The third level of strategic decision-making is at operational level.

This is concerned with how “the component parts of an organisation deliver the strategies” (Johnson and Scholes: 2006), i. e. how they actually operate to meet the goals and objectives. Decisions regarding recruitment and selection policies would be one example of an operational level strategy. The decision to adopt total quality management can be seen as an operational level strategy.

An excellent strategy matter for a large organisation, this would enable them to pursue competitive strategies of cost reductions, resulting in an aim of a “better ability to meet customer needs and increase their competitive leverage”. (Johnson and Scoles: 2006) To achieve this strategic intent, Firms would need to adopt an operational strategy of reducing wasteful production in order to increase sales and market share. However, it has been seen that whilst cost reductions are important, it is also important to develop competitive advantage through achieving a unique proposition that is difficult for your competitors to achieve. Firms may not have sufficiently understood the needs of their individual markets. The strategy that firms is following after its review of focus is one which aims to be differentiated across several markets, both geographically and product based, and to achieve world-class dominance in their key markets.

They have continued their corporate level global strategy and have developed encompassing production, development and marketing operations in each of the major microelectronics market in the world. De Wit and Meyer suggest that firms have to “achieve enough power to counterbalance the demands of suppliers and buyers, to outperform rival producers, to discourage new firms from entering the market and fend off threat of substitute products”. Ford hopes to meet its objectives by having that power in each market and by being close to each major market enabling it to be responsive to their needs. In addition, Ford has chosen to resizing the company to match current market realities, dropping some unprofitable and inefficient models, consolidating production lines, and shutting factories and cutting jobs.

For example Ford has chosen this strategy in response to the market demands in which it operates. The industry in which it operates is one upon which nearly all other industries depend due to advances in technology, and have stringent requirements for innovation and quality. They are at the beginning of the supply chain and are of strategic importance to their customers. Therefore, they realise the importance of a reliable and diverse source of supply to this industry; one which will work closely with its customers and one which has the capacity to be innovative in response to the constant changes; hence Ford mission statement - We collaborate with others to revolutionize our core business processes and to stay ahead of our rapidly changing industry.

. At Ford Motor Company, we forge partnerships to better connect with our customers. Together, companies like yours and ours can offer digitally a broad range of innovative products and services. We carefully select those alliance opportunities that enable us to deliver better ideas into the marketplace in new and exciting ways. Competitive advantage through the competitive strategy options; price based, differentiation based or focus strategies. These options are also described by other theorists “ in selecting a competitive scope, firms can vary anywhere between being widely orientated and very tightly focussed” (De Wit and Meyer: 2002) they suggest strategy can be based on price, features, bundling, quality, availability, image, and relations.

Firms have to determine what the buyers find important. Porter (cited in De Wit ; Meyer) suggests that firms must chose between lower cost and differentiation. He says you cannot do both. What will be important is that <https://assignbuster.com/what-is-strategy-and-does-it-matter-for-a-large-organisation/>

the firm's buyers' needs are being met more closely than by any other firm. In order to fully understand the choices faced by Ford it would be necessary to undertake an analysis of the forces within that industry, relating to the strength of suppliers and buyers, the possibility of exit and entry to the market and the relative competitiveness of the auto manufacture industry and an analysis of the various trends relating to the specific markets, such as political, economic and social factors. The car industry is one which has experienced rapid growth due to increasing advances in technology and the growth in new markets such as in China.

The industry is one which is very reliant on the consumer market and technology upgrades and developments....

“ While hybrid vehicles products would continue to be the largest market sector for car manufacture, consumer products would be the major growth drivers” (BBC 2006). Other recent trends in the industry are that there is much more collaboration and vertical integration across the industry, enabling manufacturers to share some of the constant development costs. Ford also continues to study Fuel Cell-powered electric power trains, and is currently demonstrating hydrogen-fuelled internal combustion engine technologies, as well as developing the next-generation hybrid-electric systems. To the extent Ford is successful in increasing the percentage of hybrid vehicles and/or fuel cell vehicles. Which could mean for the consumer there will be a significant decrease not only of air pollution emissions but also reduced sound levels, with notable favourable impacts upon respiratory health and decrease of noise health effects and law tax for them.

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This reliance on consumer markets increases the levels of risk and uncertainty for this market. In addition, it can be seen that there is a drive for organisations to develop leverage and power in order to compete on a global basis and cope with the demands of the market. Companies that develop quality models to ensure Ford and more effectively meet their customers' needs are more likely to be able to succeed than those that attempt to compete with cost-reducing strategies alone. Ford faced difficulties in meeting the needs of its customers and therefore had to find a way " to enable its customers to gain access to the innovations and be supported and satisfied in the process. " By adopting a strategy as the basis for self-assessment against their competitors, Ford has developed strategies that have enabled it to become one of the world's largest manufacturing of cars and large-scale management of an industrial workforce (Ford 2006) and a world leader in the auto manufacture. The market position of Ford is that " it has market leadership that is spread across many fields.

For example, according to the latest industry data, Ford is the world's third largest automaker company and has leading positions in sales of from smaller cars for Europeans, to " smarter" cars for the ever-changing environment. In some firms they have the tendency in to revert to a simpler strategic structure. This is being driven by competition. It is felt that Ford, for example should be used strategy to share information and create common goals. Strategic divisions are thought to hamper this process Company such as Ford need strategy to define their sense of direction is important and to achieve their objectives.

In an uncertain and ambiguous world, flexibility can be more important than a finely tuned strategic compass. When a strategy becomes internalized into a corporate culture, it can lead to group think. It can also cause an organization to define itself narrowly and also help managers make any important decisions. Strategies come together more than they should, because the more successful ones get imitated by firms that do not understand that the strategic process involves designing a custom strategy for the specifics of each situation. Successful companies are those with the simplest strategy one that takes account of, and can be understood by, all the stakeholders, customers, suppliers and employees; and one that clearly promotes the organization its products and services.

And, in this age of fast-moving technology, knowledge and experience means that any strategy must be revisited on a monthly basis. Ford urgently needs to seize the moment and catch up. The long-term global competitiveness of economy depends upon the ability of its businesses and the workforce to use resources for the generation and exploitation of knowledge to create wealth. Knowledge fosters lean production, innovation, agility and responsiveness the hallmarks of a successful economy.