Characteristics and concepts of strategy commerce essay

Mary Coulter defined Strategy as " Goal-directed decisions and actions in which its capabilities and resources are matched with the opportunities and threats in its environment". Here emphasis involves goal-directed actions which are implementing the strategy that should be designed in account of the key internal strengths (capabilities and resources) and external opportunities and threats. Strategic Management in Action has four stages where strategy is put in to action by scanning and evaluating current situation known as situation analysis; Strategic analysis provides a basis for strategic choice. Strategic options can be examined in the context of the strategic analysis to assess the relative merits (strategic fit) of the organization. This followed by strategy formulation which is deciding on strategies then strategy implementation where strategies are put in action. It is also likely that changes in organizational structure would occur through the strategy. The implementation of strategy also requires managing of strategic change and action on managers in terms of the coping the change. And finally strategy evaluation where examination of the outcomes and performance of the strategy.

Johnson and Scholes defined strategic positioning as it is concerned with the impact on strategy of the external environment, internal resources and competences, and the expectations and influence of stakeholders. Together, a consideration of the environment, strategic capability, the expectations and the purposes within the cultural and political framework of the organization provides a basis for understanding the strategic position of an organization.

What is Strategy ?

Whilst the study of strategy as a business discipline is relatively recent, the word itself, deriving from the ancient Athenian political position of strategies. has a history which stretches back over 2. 500 years. In its original conception. strategy had much to do with the State and, in particular, the conduct of war: the elected strategies from the different districts of Athens together comprised the strategic. or council of war. Interestingly. the wheel has perhaps come full circle with the increasing application of business strategy concepts to public sector organizations.

Characteristics and Concepts of Strategy

In their book, ‘ Exploring Corporate Strategy’, Gerry Johnson and Kevan Scholes approach the question ‘ what is strategy?’ by attempting to find characteristics that distinguish strategic decisions from other decisions taken within the organization. They identify the characteristics of strategic decisions as being about:

affecting the long term direction of the organization.

achieving an advantage. frequently over the competition.

the scope of the organizations activities.

the matching of an organization to its environment.

building on an organizations resources and competences. the requirement for major resource changes is an organization having an impact on operational decisions across the organization. the values and expectations of the organization.

Above all, Johnson and & Scholes argue that strategic decisions are complex, involve a high degree of uncertainty and affect the organization as a whole.

In ‘ Defining the Concept of Strategy’ Arnold° Hax comes up with a similar range of issues to Johnson and Scholes. Has sees the dimensions of strategy as, a coherent, unifying and integrative pattern of decisions a means of establishing an organization’s purpose a definition of a firm’s competitive domain.

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Based on these characteristics and dimensions, both Johnson and Scholes, and Hax arrive at definitions of strategy. recognizing thal these definitions are not unique nor all encompassing. In the words of Johnson and Scholes: ‘

Strategy is the direction and scope of an organization over the long terrni which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the needs of markets and to fulfill stakeholder expectations.”

Whilst Hax says that: “ Strategy becomes a fundamental framework through which an organization can assert its vital continuity, while at the same time purposefully managing its adaptation to the changing environment to gain competitive advantage. Strategy includes the formal recognition that the recipients of the results of a firm’s actions are the wide constituency of its stakeholders. Therefore the ultimate objective of strategy is to address stakeholder benefits – to provide a base for establishing the host of transactions and social contracts that ink a firm to its stakeholders;

Levels of Strategy

In most organizations it is possible to observe that strategies exist at different levels, with the nature of the decisions changing at each of these levels Usually, these differences reflect the various hierarchical levels of the organization structure. Typically, three levels can be identfied as illustrated in Figure below.

http://www. dreamstime. com/hierarchical-strategy-pyramid-diagram-thumb12317440. jpg

3 key words would be looked in focus and how those keyword interlink and play a role shall be looked into detail from the authors point of view. In this book of Exploring Corporate Strategy , strategic position means the impact on strategy of the external environment which includes a companies

strategic capability that is the resources and competences and the expectations and influence of stakeholders. It should be noted to be taken in account of the future and to assess whether the current strategy is a suitable fit with the strategic position. If not, the company needs to determine what changes it needs to make and whether it is capable of effecting such changes. In summary, the strategic position forms an integral part of the strategic management process. It informs the strategic choices that need to be made and subsequently implemented.

Whilst definitions and descriptions of the levels of strategy are useful, the focus is upon what ills, rather than what it does. A number of frameworks are available to help to understand further the rature of strategy as a managerial process. Two of these frameworks, analysis-choice-implementation and process-content-context are explored below.

After establishing the characteristics of strategic decisions, Johnson and Scholes outline a model of the elements of strategic management, which underpins the structure of their textbook. Their model is reproduced in the below figure

Resources

The Environment

Expectation, Objectives and Power

Resources Planning

Generation of Options

Organization Structure

Evaluation of Options

People and Systems

Selection of Strategy

They argue that the process of managing strategy involves three elements. First and Foremost it is the strategic analysis which is the understanding of the strategic position of the organization. Next is strategic choice which is the formulation and evaluation of potential course of actions and followed by strategic implementation which includes the planning and managing of the required chance.

Each of the elements of the model can be explored in more depth by examining how they provide an insight into the strategic management of a real-life organization. In 1989, the former Chairman of ICI. Sir John Harvey-Jones, made a television series that explored the strategic problems of a range of organizations. Whilst now a little dated, his involvement with the Churchill Group still provides a rich example of strategic management in practice.

Strategic Analysis

Understanding the strategic position of the organization involves an assessment of how the environment affects the organization; understanding the strategic capability of the organization, based on its resources and competences; and understanding the organization's purpose and the expectations of key stakeholders.

John Harvey-Jones argues that low price competition means that the company must start to move up-market. He sums up this implicit analysis of the external environment in the television programme, saying that the danger of operating in a low-price segment is that there is always someone capable of selling at a lower price based upon lower labour costs.

Whilst John Harvey-Jones thinks the company has a potentially strong management team, he identifies the need for further mechanization to make the factory more efficient. There is also a need to increase investment in design and printing facilities to support the capability of the company in the middle-market.

Finally, he sees the brothers as the key stakeholders, with their expectations, or lack of them, shaping the purpose and objectives of the organization. Johnson and Scholes argue that strategic choice can be conceived in terms of: Identifying the bases of choice – particularly how the firm creates an advantage, how it balances its activities, and its aspirations for the future. Generating options – the directions in which the organization could move and by what methods.

Strategic Choice

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Generating options – the directions in which the organization could move and by what methods.

Evaluating and selecting options . The extent to which options meet tests of suitability, feasibility and acceptability. The strategic options identified by the Roper brothers are to either to improve their position in the low-price, high-volume market, or to move into the middle-market. John Harvey-Jones stresses the need for production efficiencies. but accepts the logic of moving into the middle-market, starting with the Mille Fleur range, where competition is based on design and availability, rather than price alone. The implications of this move for the whole company, particularly for financial strategy, are mentioned.

The move into the middle market is a related development for Churchill- launching a new product range to meet the expectations of a different customer segment. The strategy is based on investment in new production facilities, design and marketing, a form of internal development, rather than using acquisitions or alliances.

Strategy Implementation

Johnson and Scholes in framework of strategic management. argue that this involves consideration of issues like organizational structure, resource planning and the management of strategic change. For John Harvey-Jones, a major consideration for the future of Churchill is the way in which the brothers operate as shareholders. Whilst not mentioned in the illustration, another organizational issue is that the needs of the two future tableware activities – one concentrating on the continuing low price business, the other focusing or the middle market – might be so different as to require two separate divisions.

John Harvey-Jones identities the need for more detailed plans to be developed by the senior managers. This brings together issues of resource planning (capital investments, building design strength, better marketing); the systems to manage the organization; and how the senior and middle managers can be motivated to achieve the plan (setting targets rather than handing down instructions).

Aspects Influencing Strategic Position.

There are three aspects of strategic position which influence strategy; the external environment, resources and competences and culture and ethical values of the organization. I believe by examining trends in the macro environment it is possible to identify market and product opportunities. Moreover there are many tools in examining the environment most of all it is a must to link the tools with future trends for better opportunities. In my opinion it is better to scan the environment often as market changes frequently so as to make proactive decisions.

Employees are the most important Resources . There are different types of resources which are intangible like trusted brand names which Toyota is well-known, Apple’s knowledgeable and creative workforce. For instance in 2007 when the Financial crisis struck, most company were experiencing job cuts, losing customer bases. So if a company has a competence to adapt to change it would beat out the rivals. Furthermore if the company can change the way in dealing with customers by being more innovative is one of the factor. In order to achieve this Managers need to change the strategy by analyzing the current situation and decide where the company needs to go and how does the company get to that necessary position . Most importantly to achieve this Employees have expectation which the managers should identify and create an environment where employees would work more efficiently towards the new strategy.

Culture from one country to another varies greatly. The Sri Lankan Culture is more towards people. Due to this the employees in the garment industry have suffered from paradigm of favoritisms (Gender) which is common which I believe is harmful to the company and the industry. Over a long run or sometimes short run employees might not feel motivated to work hard as his or her colleague is being favored who is not dedicated. In reality the Sri Lankan Garment industry has lost over 800 factories due to this paradigm. However the companies currently operating are very stern on the favoritisms.

Conclusion

Strategic management is thought as a core subject in the degree program. The basic content and focus of the module are the same: to teach the basic principles, theories, techniques, models for analyses, and application and benefits of strategic management. VRIO Analysis is a good tool that helps us establish whether a resource is of competitive advantage or not.

V stands for valuable. R stands for rare. Rarity provides competitive advantage. I stands for immitable. Only variability and rarity does not provide competitive advantage. O stands for organization. Suitable organization is needed to support a valuable, rare and difficult to immitate resource to ensure maximum benefit utilization of such resource. This is the approach followed in this book.

The book does this by reviewing some of the key strategies, such as cost leadership and product differentiation, and then trying to address a series of key questions related to the VRIO approach.

In the first part the book provides some introductory elements of strategy. It does so, by introducing the key strategic concepts. It then explains the key tools for strategic analysis such as Porter's five forces model. The concluding chapter in this part focuses on the resource based view and explains how it can be used to evaluate a firm's internal capabilities.

In the second part the book focuses on the development and implementation of business level strategies. In contrast to many other strategy textbooks which focus on the implementation process of strategy, the authors of this textbook focus directly on the key business strategies that a firm can follow such as cost leadership and product differentiation. I think this is a refreshing approach and helps students easily evaluate a firm's strategy.

Finally in the third part the book focuses on the development and implementation of corporate strategies. In this section the book explains high level strategies such as vertical integration, corporate diversification, and strategic alliances. Similar to the previous part, the text focuses on the strategies rather than the strategy process.

The book uses a plethora of examples to illustrate the key theoretical points it presents, making it both relevant and easy to read and understand. This is something which is not very often found in strategy textbooks. As the authors correctly argue in the opening sections of the book, business graduates are more likely to work in smaller organizations rather than larger ones. It therefore makes a lot of sense to add such a section in every chapter.

The second distinctive feature is the “ research made relevant box” which also adds considerable value to the strategy student. The authors have done a good job in selecting key research papers and linking them to the discussion in the main text. As a result the text does not read as a prescription to strategy making but also provides critical evidence based views on the theory on current developments of strategy. The third and final distinctive feature of the book is the case studies at the end of the three sections, which are current, thorough and provide plenty of data for analysis. Furthermore, the choice of the case studies is such that gives students hands on view of the issues and theories examined in the text.

The VRIO approach presented in the book is very convincing and provides an underlining framework which should prove useful and clear for both students and professors to follow.

The case studies at the end of each part, however, are considerably more international using companies such as Vodafone, Samsung, and Toyota. Therefore, instructors deciding to adopt this book for their teaching could use these case studies to illustrate the points they want to make. The book concludes with the last part VII, which deals with the case studies in the context of the subject, which describes a particular business situation of a company with reference to the environment. This book has a lot to teach about the fundamental about strategic management.