

# [Strategic management for a start-up firm](https://assignbuster.com/strategic-management-for-a-start-up-firm/)

Every year, thousands of start-up IT firms fall short of expectations and cease operation, not because of lack of funding, but a lack of strategic planning. There is a rich body of strategy-making literature that intensely explores the three elements of strategy; industry scope, market scope, and product scope. Product scope is based on the question of how broad a range of products should the business supply, while the market scope examines the geographical scope that the business intends to serve. In relation to industry scope, start-up business planning focuses on a range of related industries that the firm competes in, with a co-ordinated strategy. The activities of a firm provide an important clue on where the firm intends to compete. By focusing on its value chain i. e. its product design, marketing activities, delivery, and support of its value chain activities, a firm is able to define its unique features and establish differential and/or cost competitive advantages.

It is important to note that when making strategic decisions about its value chain, a start-up technology firm should divide these activities into two distinct categories; primary and support activities. Basically, primary activities are those involved in the physical creation of a firm’s product or services and the sale of the output to the customer as well as after sale services. On the other hand, support activities focus on supporting primary activities by providing essential factors such as technology, inputs, human resources, and other firm-wide functionalities.

When deciding on how to link activity configuration and strategic scope for a start-up, there are two distinctive realized strategy types. The first strategy type is when an organization intends to pursue an holistic strategic scope with related broad activities configurations, often resulting in realizing broad and complex strategies. On the other hand, the second strategy model pursues a simple strategic scope with related narrow activity configuration often resulting into simple strategies. However, a start-up firm that exclusively relies on an extremely limited strategic scope tends to end up with an excessively simple strategy. Notably, such firms risk rapid closure if there is a major shift in the market. For example, if a firm adopts a simple approach in its purchase strategy, it can get hurt if suppliers are not able to supply it with raw materials. Additionally, if the firm has a very simple customer strategy, its sales volumes can easily plummet if such customers stop buying from that business. Similarly, start-up technology firms can get too complex in terms of their overall strategy with an excessively broad activity of configuration. When a new firm adopts an excessively broad strategic scope such as the ‘ logistics processes’ the firm will not be able to provide a common thread that links present and future markets and products that would enable related parties to determine where the firm is headed. Therefore, one can deduce that start-up firms that focus on complex strategies often become too complex and ineffective in the long term. In the present study, optimum strategic decision for a start-up technology firm is explored. The study examines key business areas  and how they need to be strategically planned without over excessive or restrictive strategic scopes.

## References

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