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Strategy Advice

Strategy

- Strategy is the creation of unique and valuable position, involving different set of activities.
- Strategy requires you to make trade-offs in competing to choose what not to do.
- Strategy involves creating “fit” among company’s activities.

Remembered this question:

What is Strategy?

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> *"**Strategy** is the execution and development of resources, capabilities, that support the achievement of organisational intentions that achieve superior operational expansion."*

Operational effectiveness is not strategy; the root of the problem is the failure to distinguish between operational effectiveness and strategy. Operational effectiveness and strategy are both essential to superior performance, after all, is the primary goal of any company.

Five most basic strategic approaches:

The five most frequently and dependable strategic approaches to setting a company apart from rivals, building strong winning competitive advantage:

1. A low-cost provider strategy
2. A broad differentiation strategy
3. A focused low-cost strategy
4. A focus differentiation strategy
5. A best-cost provider strategy

Strategy Formulation

There is different definition of strategy and ideas of how strategies should be made. The process by which as intend strategy is created is called "*strategy formulation*". Normally strategy formulation is followed by strategy implementation. Strategy formulation is the entire process leading to strategic behaviours in practice.

Dimensions of strategy and the organisational purpose.

Strategy Context	Conditions surrounding strategy activities.
Organisational purpose	Impetus for strategy activities (inputs)
Strategy Process	Flow of strategy activities (throughput)
Strategy Content	Result of strategy activities (output)

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To have a winning strategy three tests can be applied to determine a strategy is a "winning strategy".

1. **The Fit Test** how well does the strategy fit the company's situation? For succeeding as a winner strategy, a well-matched industry and competitive conditions, company's best market opportunities, and the business environment in which the company operates.

   A winning strategy is tailored to the company's **resources** and competitive capabilities and be supported by a set of functional activities i.e. operations, marketing. Also exhibit internal fit and be compatible with the firm's ability to execute a strategy in a competent approach.

   Winning strategies should exhibit dynamic fit that evolves through time that maintains close and effective alignment with the firm's situation external and internal as conditions change.

2. **Competitive Advantage Test** is strategy helping the firm achieve a sustainable competitive advantage? Strategies fail to achieve competitive advantage over rivals and will not produce superior performance over a time. Champion strategies enable a firm to achieve competitive advantage over rivals that is long lasting.

3. **Performance Test** this question should be consider*: Is the strategy producing good firm performance?* An indicator of endearing strategy is strong firm performance. Consider two performance indicators that tell the calibre of a firm's strategy:

   - Competitive strength and market standing.
   - Profitability and financial strength.
     Above average financial performance and gains in market share, competitive position or profitability are signs of a winning strategy.

Describing Strategy

An occurring question in strategy to answer:

1. Where is the firm competing?
2. How is it competing?

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Provides the basis upon which describes the strategy a firm is pursuing. Competing in the present and preparing for the future:

Strategy as Positioning	**Strategy ad Direction**
Where are we competing?	*What do we want to become?*
Product market scope	Vision statement
Geographical scope	*What do we want to achieve?*
Vertical scope	Mission statement
How are we competing?	Performance goals
What is the basis our competitive advantage?	*How will we get there?*
Competing for the Present	Guidelines for development
	Priorities for capital expenditure, R&D
	Growth modes: organic growth, M&A, alliances
	Preparing for the Future

Company's Strategy – Partly Proactive and Partly Reactive

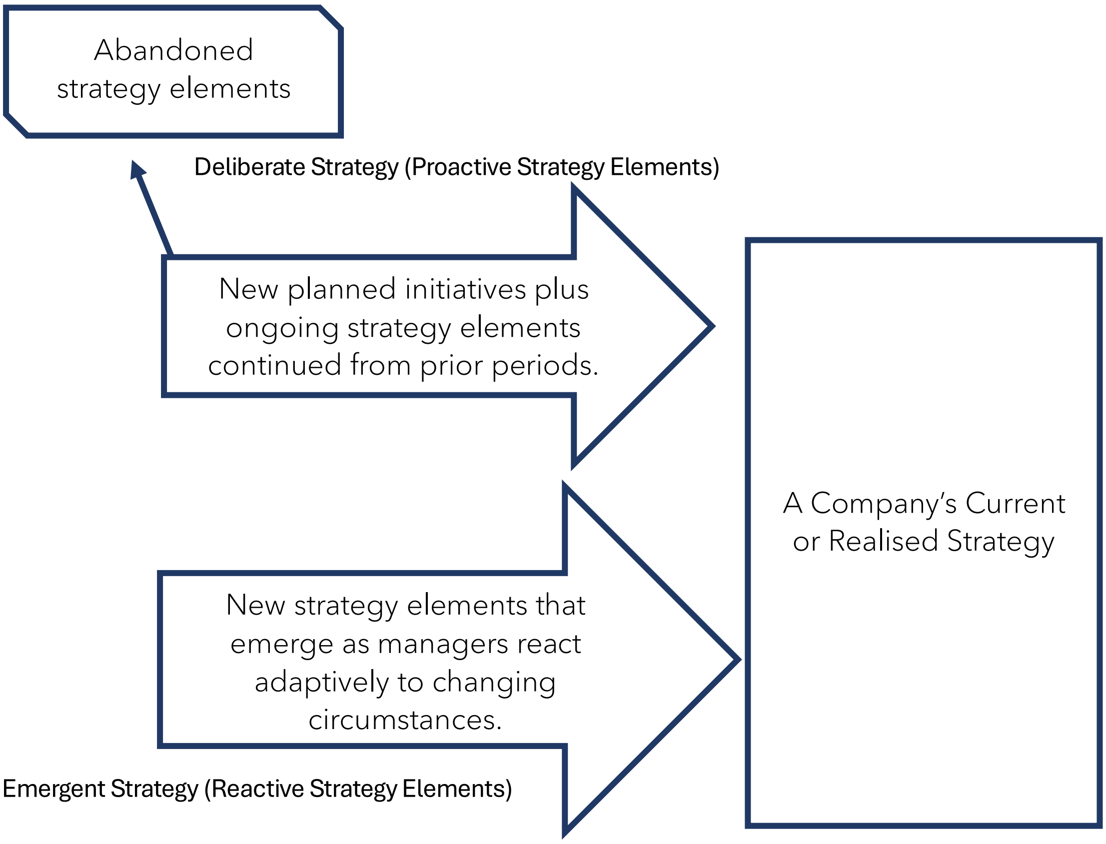
A company's strategy tends to evolve because of changing circumstances and ongoing efforts by management to improve the strategy.

Evolving nature of a company's strategy means a typical company strategy is a blend of:

1. *Proactive* initiatives to improve company's financial performance and secure competitive edge.
2. *Reactive* responses to unanticipated developments and fresh market conditions.

A portion of company's current strategy flows from previously initiated actions that have proven themselves in the marketplace and newly launched initiatives aimed at edging out rivals and boosting financial performance. This is management's action plan for running the company is its *deliberate strategy,* consisting of proactive strategy elements are both planned and realised as planned.

Company's Strategy is a Blend of Proactive Initiative and Reactive Adjustments



A company's deliberate strategy consists of proactive strategy elements that are planned; its emergent strategy consists of reactive strategy elements that emerge as changing conditions warrant. A slice of a company's strategy is developed on the glide.

Adaptive strategy adjustment makes up the firm's emergent strategy. A company's realised strategy tends to be a combination of proactive and reactive elements; certain strategy elements being abandoned because they have become abandoned as they have become obsolete or ineffective.

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Corporate and Business Strategy

Strategic choices can be distilled into two basic questions:

- Where two compete?
- How to compete?

These questions define two major areas of a firm's strategy: ***corporate strategy*** and ***business strategy***.

Corporate Strategy

Defines the scope of the firm in terms of the industries and markets in which it competes. Corporate strategy decisions include choices over diversification, vertical integration, acquisitions, and new ventures, and the allocation of resource between the different businesses of a firm.

Business Strategy

Business strategy is concerned with how a firm competes with a particular industry or market. For a firm to prosper within an industry it must establish a competitive advantage over its rivals. This is area of strategy is referred to as *competitive strategy*.

Distinction between corporate strategy and business strategy corresponds to organisational structure of companies.

Corporate strategy – responsibility of corporate top management.

Business Strategy – primarily responsible of senior managers of divisions.

Purpose of strategy is to achieve superior performance. There are two possible ways to achieving performance.

1. Choosing to locate within industries where overall rates of return are attractive (corporate strategy).
2. Attaining a position of advantage vis-à-vis competitors within an industry allowing to earn a return that exceeds the industry average.

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Resource & Capability

Key Concept: a company's resources and capabilities denote its competitive assets and are determinants of its competitiveness and its ability to succeed in a market.

Resource and capability analysis gives a powerful tool for sizing up a company's competitive assets and determining whether the assets can support a sustainable competitive advantage with a firm's market rivals.

Resource: *a productive input or competitive asset that owned and controlled by the firm.*

Capability: *is the capacity of a firm to perform internal activities completely. Capabilities are established and embedded through deployment of company's resources.*

Types of Resources

To identify a firm's resource is divided into two main categories:

Tangible	Intangible
Resources are easily identifiable as tangible resources are those that can touched or quantified.	Resource harder to discern but are often among the most important of a firm's competitive assets. They include human assets, intellectual capital, also the firm's brands, image, and reputational assets.

The human resource is the most important part of a firm's resource base, this included in the tangible category. Human resource role plays an importance part by the skills, talents, and knowledge of a firm's human resource.

Identifying Capabilities

A firm's capabilities are complex entities than resources; they are created through the use of resource and draw on a combination of firm's resource as they are exercised. Essentially all firm's capabilities are *knowledge-based* dwelling in people and in a firm's intellectual capital, in a firm's processes and systems, which embody tactic knowledge.