



## **STRATEGY**

### **Bridging Study Pack**

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## **Introduction**

The aim of this Bridging Unit is to help you gain a clearer understanding of the topics that will be studied in Strategy.

The unit has been split into 3 sections for you to read and work your way through, with an answer section provided at the back of the unit to ensure that you have understood all the self-test questions that have been posed throughout the sections.

Also detailed in the unit are case companies that mirror what each unit is discussing so that you gain the skills of applying real companies to the subject areas and concepts.

The aims of each unit will be detailed at the beginning of each section so that it is clear what you are meant to be reading and learning about.

## Reading Materials and Sources

Beardwell et al 2004 *Human Resource Management – A Contemporary Approach 4<sup>th</sup> Edition* Essex: Pearson Education

DeWit and Meyer 2004 *Strategy – Process, Content and Context. An International Perspective 3<sup>rd</sup> Edition* London: Thomson Business Press

Johnson, Scholes & Whittington 2005 *Exploring Corporate Strategy 7<sup>th</sup> Edition*  
London: Prentice Hall

Jones, O & Tilley, and F 2004 *Competitive Advantages in SME's* London: Wiley

Lynch, R 2000 *Corporate Strategy* London: Prentice Hall

Thompson, JL 2005 *Strategic Management 5<sup>th</sup> Edition* London: Business Press

[www.strategy3rd.com](http://www.strategy3rd.com)

[www.quickmba.com](http://www.quickmba.com)

[www.businessballs.co.uk](http://www.businessballs.co.uk)

[www.wikipedia.org](http://www.wikipedia.org)

## Guide to Illustrations

Here is a guide to the symbols and illustrations that are used throughout this unit.



This is further reading material and sources that you may find



This is links to websites that you may want to use.



This is an activity you may want to try to test your understanding.



This is a guide to further reading on a topic.



This is what you are going to be learning about.



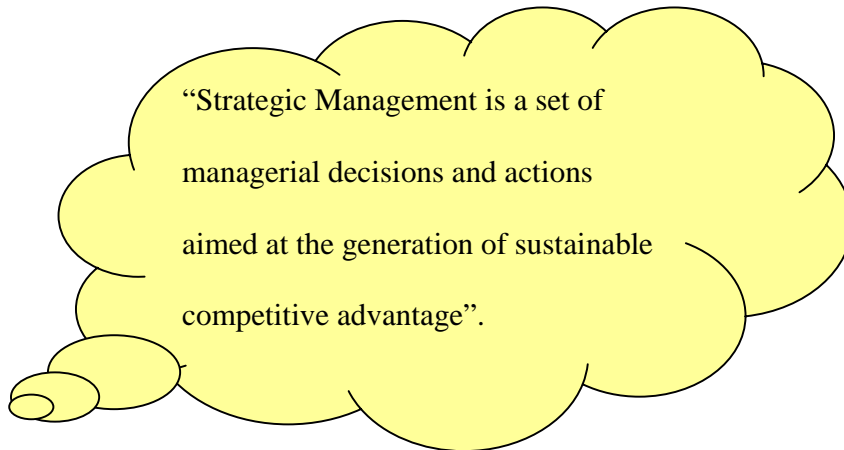
This is a self-assessment question for you to undertake.

## **Section 1**

### **Introduction to Strategy**

## What is Strategy?

At first it is necessary to actually try to think about what strategy really is and what it means. A current definition of strategy is:



In earlier times strategy has always been linked to leading an army and many explanations like the one in the Oxford Pocket Dictionary support this;

**“Strategy. The art of war, especially the planning of movements and troops and ships etc into favourable positions; plan of action or policy in business or politics etc.”**

It is easy to see that the concept of strategy has always been related with the military and over the years it has more commonly become connected with business, with strategic management becoming more of a focus during the 1970's.

Strategy development is used to help understand the strategic management of businesses and other corporate organisations. It is used to aid consideration of the strategic choices that are available to an organisation that will help it to contend with a competitive business environment. It also helps to investigate and understand the strategic opportunities that may exist for an organisation to expand worldwide.

In each subject area, the aim is to consider the approaches that are discussed, look at the strengths of each particular approach and draw on the best of both, to drive the strategy forward. You need to evaluate the worth of each approach and justify your reasoning for doing so. It is also advantageous to apply business examples to give your answers authority.

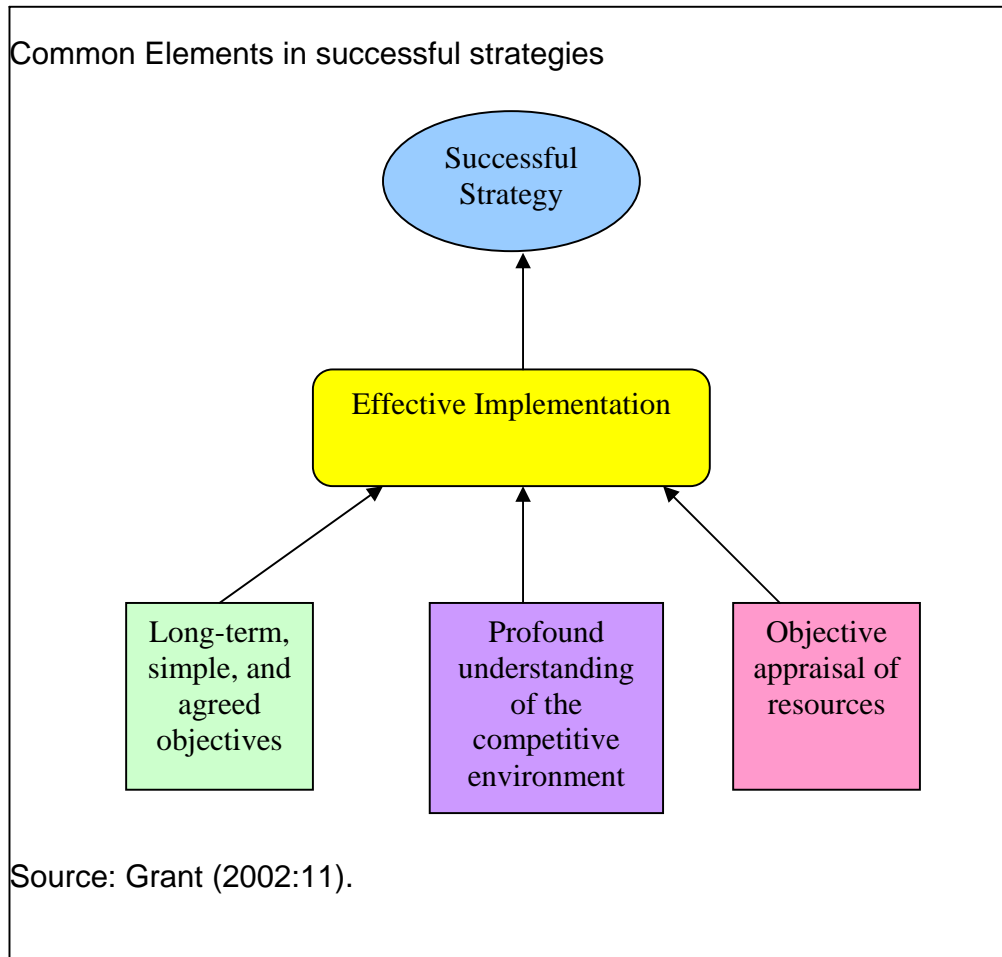
There are 3 approaches to strategic management that are used when studying Strategy, and those 3 dimensions are:

**Strategy Process** – the *how*, *who* and *when* that is involved in the formation, implementation, change and control

**Strategy Content** – looking at *what* should be contained in the strategy

**Strategy Context** – the *where* of strategy, in terms of the environment and the firm

Grant (2002) designed a model that shows the common elements that are present in successful strategies.



The ultimate goals of any strategy for a firm should be to become successful, have more control over the market compared to the competitors and have high profits so that shareholders expectations and demands can be met.

Strategy, as a result, should be concerned with the following:

- ❖ Where is the business going in the long term, i.e. where does it expect to be in the next 5-10 years?
- ❖ What markets should it be placing itself in to compete in?
- ❖ How can they perform better than their competitors?
- ❖ What resources will be required to compete in the market?
- ❖ What factors (done using a PEST Analysis) will affect the company's ability to compete in the marketplace?

Basically, strategic management is about making and taking strategic decisions – about deciding what is the best way forward by reaching answers to the above questions.



Go to [www.businessballs.co.uk](http://www.businessballs.co.uk), and research more information on PEST Analysis and what is involved in the process of creating one.

There are many functional strategies that may exist within an organisation. Fill in the blanks below to fill out what you think examples of these may be.



**1.Fill in the blanks to reveal a range of functional strategies that may exist within an organisation.**

1. \_ a \_ \_ e t \_ \_ g Strategy
2. H \_ \_ a \_ \_ e s \_ \_ u \_ \_ e Strategy
3. \_ t / l \_ Strategy
4. F \_ \_ c \_ i \_ \_ \_ l Strategy
5. \_ p \_ \_ a \_ \_ o \_ \_ l Strategy

The strategic decisions for each of these above departments are strictly limited to each of the department's functional responsibility, and are made consecutively with the overall corporate objectives that are in place.

In some cases, for more efficiency within an organisation, SBU's (Strategic Business Units) are formed, so that they can develop their own strategies, which again should be made in conjunction with the corporate objectives.



**Look and see what information you can find out about Strategic Business Units for your own records.**

However, operational strategy deals only with the day-to-day operational activities that ensure the running of an organisation such as rotas, holidays etc.



**For more information about this practice – please research information on Peter F Drucker and his theory of Management by Objectives.**

## **Strategic Planning**

There are many approaches that can be taken towards strategic planning. The two most known are “the 3 Step approach” and the “draw-see-think” approach.



**Research information on these two approaches and make notes in the space provided.**

The most important steps in strategic planning are:

- ❖ A vision is needed – you should have clarified and definite goals and a mission statement should be created that reflects this.
- ❖ A detailed SWOT analysis should be carried out
- ❖ A plan should be put together
- ❖ The formulated plan should then be implemented by the company
- ❖ Control should be exercised to ensure that all stakeholders are following the plan and its details.



**2.Can you think why strategic planning is an important business activity?**

However, no matter how much planning is done strategies can of course fail for an organisation, this can be mainly due to two reasons, either inappropriate strategies being devised in the first instance or poor implementation of the strategies.

What causes strategies to fail is:

- ❖ Poor research having been carried out
- ❖ Incomplete and inadequate SWOT analysis being produced
- ❖ Lack of resources for the strategies to be carried out
- ❖ Definite objectives not being created

Other reasons for failures of strategies can include:

- ❖ No proper assessment of time and/or resources
- ❖ No co-ordination between parties involved in the strategy being implemented
- ❖ No support from staff involved directly or indirectly
- ❖ Resistance from staff involved directly or indirectly
- ❖ Failure of all in following the plans
- ❖ No support from management



Carry out further research as to why strategic plans fail by visiting [www.wikipedia.org/wiki/Strategic\\_management](http://www.wikipedia.org/wiki/Strategic_management)

## Stakeholders

The term of stakeholder is an important term to understand, and a stakeholder is quite different from a shareholder.



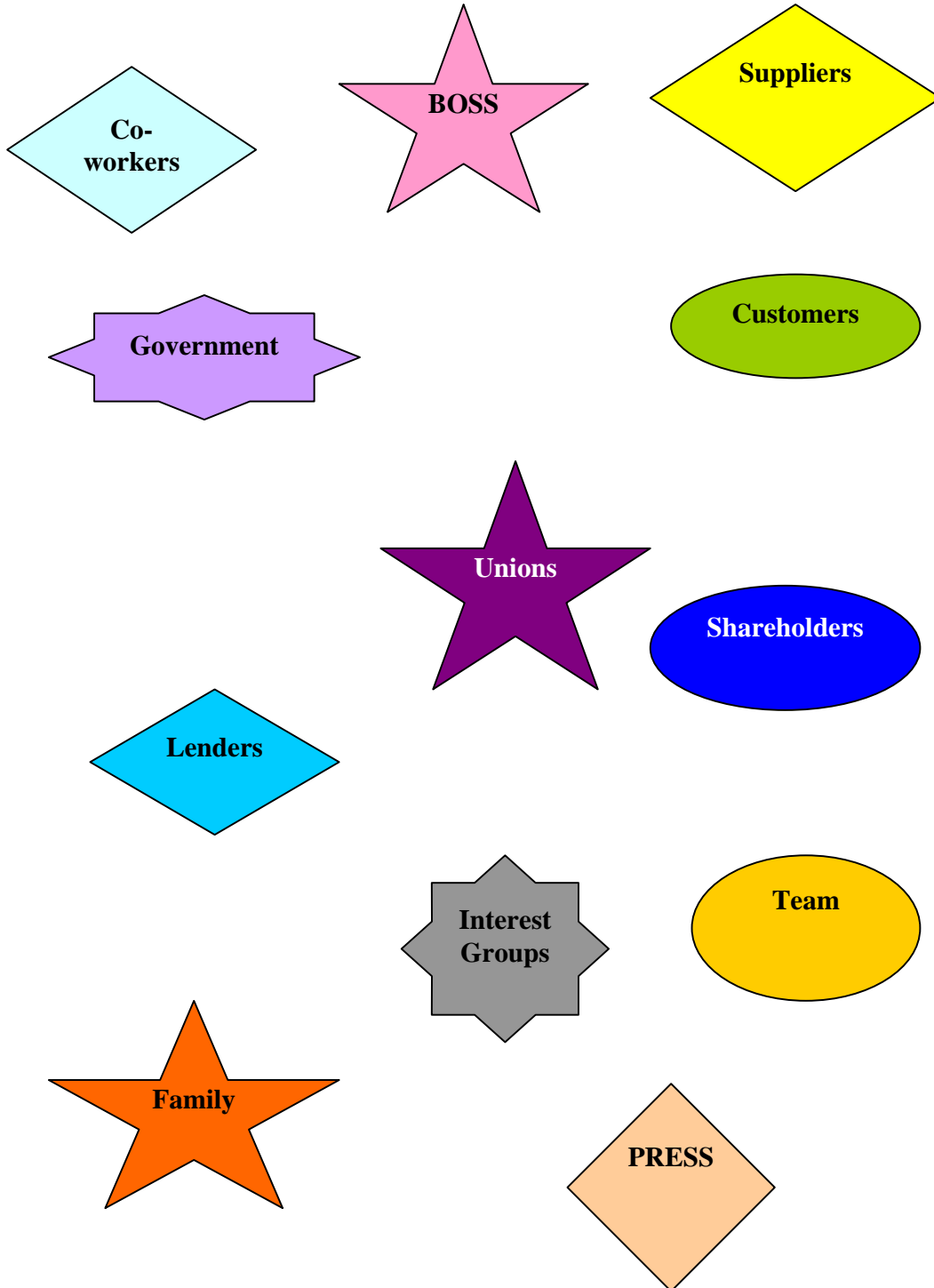
**3. Identify what a stakeholder means and then what a shareholder means. Write your answer down below.**

<p><b>Stakeholder:</b></p>          <p><b>Primary Stakeholder:</b></p>          <p><b>Shareholder:</b></p>          
--

It is important that an organisation understands who their stakeholders are. A useful tool to use is a Stakeholder Analysis Grid, to help the organisation win total support from all those who have an interest in the organisation becoming successful. It helps to identify the people essential to the organisation and

provides a way to build up support from them. It is vital that the key stakeholders are identified i.e. those who will apply the most power and influence over strategy decisions, so that the best means to communicate with them can be implemented.

So, who are the stakeholders to an organisation? Well, there may be many but a typical example could include the following:



So, what does a Stakeholder Analysis involve? Probably the easiest tool to use is the Stakeholder Analysis Grid. An example of this is given below:

<p>Larry Dunfeld</p> <p><b>KEEP SATISFIED</b></p>	<p>Jinni Grieve</p> <p><b>MANAGE CLOSELY</b></p> <p>Mary Jones</p>
<p><b>MONITOR (MINIMUM EFFORT)</b></p> <p>Mick Yaggert</p>	<p>Sebby Harth</p> <p><b>KEEP INFORMED</b></p>
<p>Low</p>	<p>High</p>

This grid should be used to prioritise the stakeholders and the levels and power that they each hold. It should be used as a means to understand who the major stakeholders are so that a plan and strategy can be created to ensure positive communication with them. When the stakeholders have been identified, their names should be placed in the appropriate boxes so that they can be targeted when necessary. Failure to identify who the stakeholders are, and be able to communicate with them, could result in major problems for an organisation with their strategies becoming costly failures.



**4. Having analysed who the stakeholders are for the organisation, what questions do you think should be asked about them?**

### **Strategic Leadership**

Strategic leadership involves and looks at the 3 broad functions of; the Task, the Team and the Individual. It is vitally important that the leaders within an organisation provide the employees with the overall strategic vision and direction that they are supposed to be following. They should be responsible for allocating the correct resources and communicating the overall vision of the company to the employees to ensure that strategies are successful.

## **Section 2**

# **STRATEGY PROCESS**

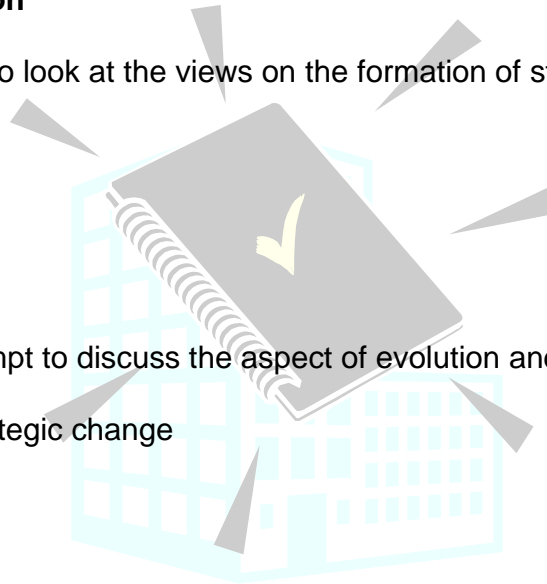
The topics that are going to be covered in this section are:

### **Strategy Formation**

This area will aim to look at the views on the formation of strategy and realised strategy.

### **Strategic Change**

This area will attempt to discuss the aspect of evolution and revolution, and the carrying out of strategic change

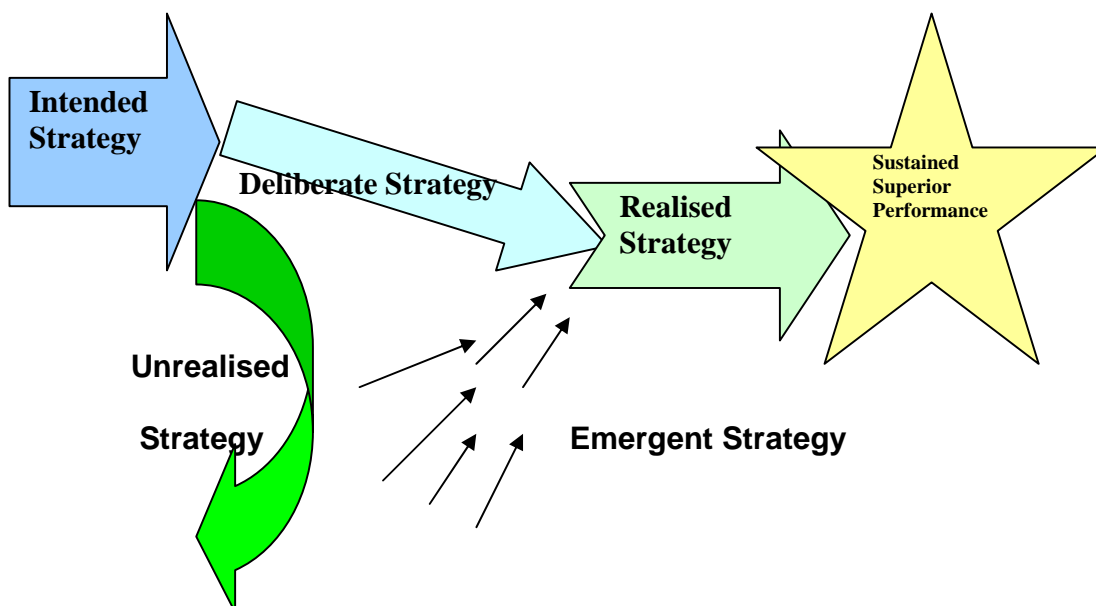


## Strategy Formation

This looks at the issue of realized strategy – where you set out to do 1 thing, but ended up doing it another way and the reasons behind why this happened. It also looks at the roles people in the organisation should play – a case of “taking our troops with us, but how involved in the process should they be?”

The case for **deliberate strategising** is where an organisation thinks before they act, intentionally planning for and looking forward to the future, with a clear idea of what they need to do. The case for **strategy emergence** is where an organisation does not have a planned idea of where they want to go; they grab market opportunities as and when they appear. They have a flexible response to events as they arise.

*Diagram adapted from DeWit and Meyer 2004.*



## **Strategic Change**

The aim of this is to understand the means by which an organisation can undertake changes within itself and how it should be done, should they take place in an evolutionary manner (i.e. small constant changes happening over a long period of time) or in a revolutionary manner (i.e. lots of large disruptive changes happening all at once, but not very often). An organisation needs to remain quick to respond to its environment when changes need to be undertaken, but which one of these methods is best?

Revolutionary change is dramatic and may not be liked by existing employees, whereas with evolutionary change, the pain of change is more frequent but the changes are smaller and perhaps more manageable for the people involved.

It has been said that countries in the West are more disposed to follow the revolutionary approach to change, whereas Eastern countries tend to follow the step-by-step approach to change and involve their employees in the process.

## **Section 3**

### **STRATEGY CONTENT**

The topics that are going to be covered in this section are:

### **Business Level Strategy**

This area will attempt to discuss markets, resources and competitive advantage.

### **Corporate Level Strategy**

This will look at the topics of responsiveness or corporate synergy.

### **Network Level Strategy**

This will look at the inter-organisational relationships that exist, eg. competition, co-operation and internal growth.



## **Business Level Strategy**

This is concerned with competitive advantage and how a business can achieve a sustainable competitive advantage. It looks at the company and its competitive positioning in relation to its markets, products and services (Beardwell et al, 2004 p.36). The product offering, the activity system and resources of the organisation are key areas to be considered. To maintain a competitive advantage, an organisation needs to align all 3 of these aspects to create value for their market. Sustainable competitive advantage needs to be built up through an inimitable edge.

The product offering should have a clear brand image, and be associated with the company. This can be seen in the case of the Easy Group. They are involved in many different ventures: flights, cruises, bus travel, hotel, internet cafes to name but a few, but all are easily recognised by the easy Logo and brand that accompanies them



**Go to [www.businessballs.com](http://www.businessballs.com), and draw the diagram for Porters Five-Force Analysis.**

## Corporate Level Strategy

In essence this is concerned with the “overall scope of an organisation” (Beardwell et al, 2004 p.35). It is concerned with the organisation asking itself questions about what businesses it thinks it should be competing in, and what geographical areas it should choose in which to do this. It also asks it to look at the markets and areas in which it has chosen to go into business, and then question the competitive advantage that this gives, if any, to their organisation. It should help to define what markets and business it is currently in. It looks at whether an organisation should grow vertically or horizontally – and whether or not this should be inside or outside of the business.

An organisation needs to be able to seize the opportunities that are present in the current market and be able to create barriers for other organisations also trying to capture these opportunities. It should be able to look at it's growth share matrix (Ansoff's Matrix) and use this to determine growth and decide whether to stay in a similar business or risk spreading it's approach.



Go to [www.quickmba.com](http://www.quickmba.com) and research more on Corporate Level Strategy.

## Network Level Strategy

This is concerned with the issue of international business relationships. It asks the age-old question of whether organisations should work together and take the mutual benefits that come from this, or go into competition with each other? Co-operation with customers can create a win-win situation for business and give them a chance to succeed in their market.

Partnerships, both internal and external to an organisation, are an important factor that can help to give an edge over competitors, especially if an organisation is operating in a volatile marketplace. You need to look for a balanced relationship to give mutual advantages for both companies.

Recently two of the UK's largest tour operators, Thomas Cook and My Travel decided that the best way forward for them was to join together to become one large company. In answer to this pressure, Thomson and First Choice have merged to cope with the competition.



**5. Can you think of one example where companies have forged cooperation to ensure success?**



Go to [www.strategy3rd.com](http://www.strategy3rd.com) and click on student resources.

Try to answer the questions on Network Level strategy.

Record your score here.

## **Section 4**

### **STRATEGY CONTEXT**

The topics that will be discussed in this section are:

**The Industry Context**

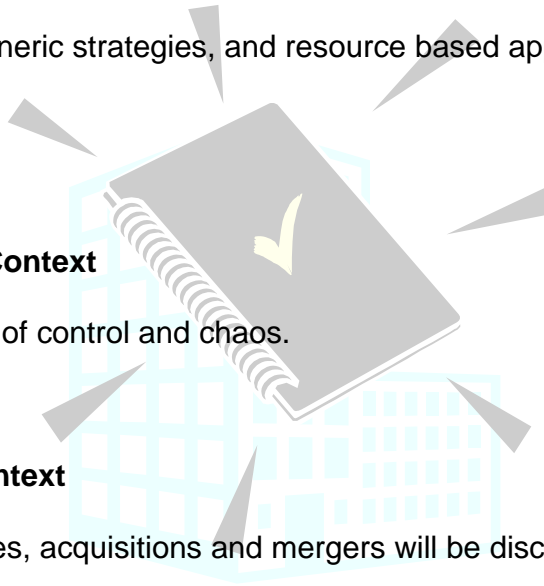
This will look at the generic strategies, and resource based approaches to strategy.

**The Organisational Context**

This looks at the irony of control and chaos.

**The International Context**

Joint ventures, alliances, acquisitions and mergers will be discussed here.



## The Industry Context

This is concerned with the factors that can enhance or inhibit an industry developing. Who becomes a follower and who becomes a maker in the industry? In what ways is it possible for an organisation to take a leading role in the industry in which they are situated?

Easy Jet is an example of this, becoming a maker in the industries it performs in.. They offered cheap deals with their flights and prices; the only airline to offer flights from as little as £1 and many companies soon followed. Stelios Haji Joannou, the owner of the Easy Group then went further with his ventures and started up “Easy Cruise”, offering cheap no frill cruises around the Mediterranean. He also then created Cinema’s where you did not have purchase drinks or snacks you could take your own food and drinks in; you just paid for the film that you wanted to see.

You also need to consider what drives industry development. What **PEST** (Political, Economic, Social, Technological) forces are operating that force or encourage organisations to adapt?



Go to [www.quickmba.com](http://www.quickmba.com) and click onto **PEST ANALYSIS** to read more about this topic.



6. List as many PEST factors as possible that you think would make an organisation need to develop?

## The Organisational Context

Leadership effectiveness and management is the main theme that should be discussed in this section. How should managers control and have power in their organisations? Should managers be controlling or should they behave in a more liberating manner? It also allows us to consider the notion that being managers does not necessarily mean that they are also great leaders. Is power a good thing, or should managers today try to be coaches and facilitators – and support their workers?

The demand for top management control is a dominating and power-driven approach where the managers take control of everything, whilst on the other hand the demand for organisational chaos looks for a bottom-up approach where creativity and initiative is accepted, and managers try to capture workers energy. Take for example Richard Branson – he is a coacher and facilitator for his staff and constantly listens to their ideas and suggestions, with some even getting money to fund business ventures. One lady who went to him with an idea about wedding dresses, is now running that new venture for him.



Go to [www.strategy3rd.com](http://www.strategy3rd.com), click on student resources and then answer the questions on the Organisational Context.

Record your score here.

## The International Context

This section is concerned with transnational companies, and the levels of globalisation that exist today. It is concerned with the question of which countries an organisation should try to get into and what approach it should take. You should try to consider whether or not you believe that we now live in a “global village”, where boundaries are no longer important thanks to the EU for example, or do we still have geographical boundaries that exist when we want to do business in another country, which require us to be locally responsive to that country’s needs.

So, how should firms organise themselves internationally? How do they decide which countries to become active in and once there how involved do they actually become? There may be a need for a company to look elsewhere geographically if opportunities are diminishing in their home country.

The challenge for organisations is to be able to create a global synergy, but at the same time remain locally responsive to the country into which they are moving.



**7. Can you think how McDonalds has expanded globally, yet retained local responsiveness having moved into international markets?**



Go to [www.quickmba.com](http://www.quickmba.com) and read the topics on Global Strategic Management and Foreign Entry Market Modes.

8. However, after all of this reading and studying about strategy



can you think of any reasons as to why strategies might fail?

There are many reasons as to why a company's strategy may fail, success, when a plan is formed, is not always guaranteed. Try to list as many reasons as possible as to why you think that this may be so.

## Word Search

A	L	Q	O	C	O	R	P	O	R	A	T	E	M	B	V	P	R	T	C
P	L	H	J	O	F	D	D	E	A	W	Y	U	I	B	F	L	N	S	O
A	F	Q	Y	N	D	F	N	S	H	J	E	D	G	H	N	A	S	Y	N
U	K	S	A	T	V	Z	V	H	J	W	E	A	I	F	W	N	M	L	T
M	A	R	K	E	T	H	J	W	A	S	B	V	W	Q	U	T	D	G	E
P	L	O	W	N	X	S	T	R	A	T	E	G	Y	A	S	F	E	R	X
U	Y	D	W	T	F	R	B	S	K	I	Q	Z	C	R	E	N	O	M	T
W	L	E	A	R	I	U	V	D	G	E	W	C	X	A	M	O	L	I	E
P	A	R	A	D	O	X	J	K	W	E	G	L	O	B	A	L	D	S	F
T	G	O	I	E	R	P	C	V	B	B	Q	E	J	L	S	O	D	A	H
P	O	T	R	E	F	T	H	N	Z	O	L	E	M	W	E	C	I	Y	U
N	M	I	N	D	U	S	T	R	Y	A	S	W	D	G	J	A	B	R	E
O	U	S	B	S	B	E	W	G	G	X	M	N	C	X	M	L	S	V	R
K	E	V	S	H	J	S	H	D	K	S	X	U	S	N	N	D	S	R	F
T	E	N	S	I	O	N	N	S	I	E	S	M	P	R	O	C	E	S	S

Corporate

Content

Tension

Strategy

Context

Paradox

Global

Industry

Plan

Process

Local

Market

## Answers

A	L	Q	O	C	O	R	P	O	R	A	T	E	M	B	V	P	R	T	C
P	L	H	J	O	F	D	D	E	A	W	Y	U	I	B	F	L	N	S	O
A	F	Q	Y	N	D	F	N	S	H	J	E	D	G	H	N	A	S	Y	N
U	K	S	A	T	V	Z	V	H	J	W	E	A	I	F	W	N	M	L	T
M	A	R	K	E	T	H	J	W	A	S	B	V	W	Q	U	T	D	G	E
P	L	O	W	N	X	S	T	R	A	T	E	G	Y	A	S	F	E	R	X
U	Y	D	W	T	F	R	B	S	K	I	Q	Z	C	R	E	N	O	M	T
W	L	E	A	R	I	U	V	D	G	E	W	C	X	A	M	O	L	I	E
P	A	R	A	D	O	X	J	K	W	E	G	L	O	B	A	L	D	S	F
T	G	O	I	E	R	P	C	V	B	B	Q	E	J	L	S	O	D	A	H
P	O	T	R	E	F	T	H	N	Z	O	L	E	M	W	E	C	I	Y	U
N	M	I	N	D	U	S	T	R	Y	A	S	W	D	G	J	A	B	R	E
O	U	S	B	S	B	E	W	G	G	X	M	N	C	X	M	L	S	V	R
K	E	V	S	H	J	S	H	D	K	S	X	U	S	N	N	D	S	R	F
T	E	N	S	I	O	N	N	S	I	E	S	M	P	R	O	C	E	S	S

## 1. Marketing Strategy

Human Resource Strategy

IT/IS Strategy

Functional Strategy

Operational Strategy

2. Strategic Planning is an important business activity. It should help a company to focus and, after all the groundwork has been completed e.g. SWOT and PEST analysis, the organisation should end up with a range and set of objectives, and a chart and record of the ways in which they are going to achieve these objectives, which it can use to propel the company forwards.

3. *Shareholder*: A person who holds or owns shares in an organisation.

*Stakeholder*: A person or group etc, who has an interest in the project.

*Primary Stakeholder*: Those ultimately affected by decisions either positively or negatively.

4. Some of the questions that may be asked are:

What financial/emotional interest does this stakeholder have?

Who influences the stakeholder's opinions?

What information does that particular stakeholder require?

How would their opposition be handled by the organisation?

5. One example of where companies have forged cooperation to ensure success is that between Tesco Mobile and O2, they have decided to cooperate together to ensure that they have success in the increasingly competitive mobile phone and telecom industry. Another example is Coca-Cola and McDonalds, where you cannot buy Pepsi or other soft drinks in their restaurants; you may only buy what Coca-Cola offer in their range.

6. PEST Factors may include:

<b>POLITICAL</b>	<b>ECONOMIC</b>
Environmental Issues	UK economic situation
Current UK Legislation	Tax Levels and Rates
Current EU Legislation	Interest/Exchange Rates
Wars	Economic situation abroad
Trade Policies	International Trade Issues
<b>SOCIAL</b>	<b>TECHNOLOGICAL</b>
Advertising campaigns	Technology Development
Media Views and representation	Technology Licensing
Brand Image	Technology Legislation
Consumer attitudes	
Fashions	
Lifestyle trends	

7. McDonalds has managed to move internationally. It has premises in the UK, USA, Japan, Germany and France to name but a few but the headquarters are still based in the USA. Yet is has also managed to retain a certain amount of local responsiveness. This is seen in France where you can order wine to eat with your meal, which you cannot do in the UK, but is the norm for French people, and similarly in McDonalds in Germany you can order beer to drink with

your meal, they also changed their traditional menu and operating systems to suit German tastes, and of course only in the USA can you super size your meal.

8. Some reasons as to why a strategy may fail are:

- ❖ No prediction of what competitors will be doing
- ❖ No co-ordination present
- ❖ Not following the strategy plan
- ❖ Poor communication
- ❖ Unrealistic expectations of the strategy
- ❖ No employee commitment to the strategy
- ❖ No understanding of the strategy
- ❖ Poor allocation and understanding of the required resources to make the strategy a success.

Fife and Tayside Wider Access Forum would also like to acknowledge the support of Angus College, Dundee College, Adam Smith College, University of Dundee and the University of Abertay Dundee.