
Strategy

I. WHAT IS STRATEGY?

Strategy is a coherent, unifying, and integrative pattern of decisions that serve to create a unique and valuable competitive position. A strategy focuses the organization's resources, activities and processes to create conditions favorable to its position and thus resulting in a competitive advantage. This is accomplished by focusing on two components: strategic positioning (external) and operational effectiveness (internal). The purpose is to differentiate the organization from competitors and ultimately delivering greater value to customers or delivering the same value at a lower cost or both.

Strategy consists of making trade-offs in competing which focuses on both "what to do" as well as "what not to do". Strategy is the master plan that specifies the critical courses of actions and means to accomplish four ends:

- achieve the objectives set by the organization
- exploit opportunities and strengths
- counteract present and future threats and weaknesses
- create greater value for the customers

A strategy determines why, how, when, where and against whom a company should compete and for what purpose. It ultimately answers three questions: "Where are we going?", "What is the present and expected state of the environment?" and "How do we get there?"

When the quest is to achieve a competitive advantage and thus out perform a competitor, the thought process and activities are much different than simply improving operational effectiveness. Strategy requires an opponent, an adversary, whether tangible or intangible. The decisions are made relative to the resources and activities of that adversary. On the other hand decisions for improving operational effectiveness are based on an absolute model. Therefore a different mindset is necessary for strategy formulation than is required for enhancing operational performance.

II. UNDERSTANDING STRATEGY

A strategy coordinates decisions and allocation of resources relative to the resources and activities of the competition, the opportunities, threats and the needs of the market/customers. On the other hand decisions for improving operational effectiveness are based on an absolute model.

Three points to remember about strategy. First, there is no perfect strategy. Second, it is useless to formulate a great strategy that cannot be implemented. Third, strategy is fluid, and must be flexible to confront any unexpected changes.

III. STRATEGIC PLANNING VS. STRATEGIC THINKING

These two concepts are often considered to be synonymous and quite often used interchangeably. These concepts are connected but require different mindsets.

Strategic Thinking

Strategic Thinking (ST) is about *synthesis* and is based on intuition and creativity which is related to the vision of the organization. Your vision should be something that you should see only from a distance. Strategy should extend your vision a few years into the future while your tactics may frequently change over the course of the strategic plan.

Strategic thinking requires a different mindset than strategic planning. It requires a mindset that sees the "big picture" and thinks outside of the box or business norms, and is comfortable with risk and change. Strategic thinking is able to create synergy between the various business components to extract a hidden opportunity in the market. Strategic thinkers are more difficult to find or acquire than strategic planners. Strategic thinking should answer the previously mentioned question, "How do we get there?"



Strategic Planning

Strategic Planning (SP) is an annual process for most corporations. Planning is about *analysis* which leads to the development of a formal outline of steps. The analysis is an important starting point in the strategic process. This requires the ability to rationalize or interpret the data. Strategic planning is about setting clear and concise goals and objectives and determining the activities and processes necessary to attain those goals and objectives in a reasonable timeframe.

The purpose of a formal strategic planning process is to ensure that the decision makers have a clear and solid understanding of the business, the strategy and the premise beneath the strategy. Strategic planning process provides a framework not only for executive level management but it also provides a map to set the mindset of the entire organization that is expressed through activities, behavior and utilization of resources.

The analysis from strategic planning answers the previously mentioned question, "What is the present and expected state of the environment?"

Thinking and Planning are right and left hemispheres of the corporate strategic brain. The right side focuses on the intuitive, creative thinking processes while the left side focuses on the number crunching and data sets. Together ST and SP are the art and science of making things happen.

Strategic planning and thinking are critical to any organization but developing a competitive strategy requires more than planning. A competitive strategy needs a Strategic Management (SM) approach which goes beyond the formal strategic planning process and involves the linkage of strategic planning to the operational decision making.

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