**Are you sure you have a strategy?**

* Abundance of strategic frameworks have been provided over the years but what is a strategy?
* Missing has been any guidance as to what the product of these tools should be or what actually constitutes a strategy
* Strategy is a combination of all elements rather than a single or two elements combined
* Most executives create confusionand undermine their credibility by continuously introducing new ‘strategies’ which are mearly strategy threads
* Origin of strategy –‘the art of the general’
* Generals challenge is the orchestration and comprehensivesnes
* Strategy how the business will achieve its objective, without strategy time and resources are easily wasted on piecemeal disparate activies
* A strategy consists of an integrated set of choices, companies mission and objective guide strategy
* Choices about internal organisational arrangements are not part of strategy, they are import but should reinforce and support strategy but will not make up strategy itself
* Strategy has 5 elements: areanas:where will we be active?
  + - * + Vechicles: how will we get there?
        + Differnetiators:how will we win in the market place?
        + Staging: what will the speed and sequence of moves?
        + Economic logic: how will we obtain our returns?

**Areans:**

* Where and in what arenas will company be active?
* Be specific as possible about the product categories ,market senments, geographic areas, and core technologies as well as the value adding stages
* Highly specific with products and markets even targeted by name
* In choosing arenas the strategist needs to indicate not only where business will be active, but also how much emphasis will be placed on each
* Some market segments mete be identified as centrally important while others are deemed secondary

**Vechicles:**

* How to get to areans?? Specifically the means for attaining the needed presence in a particular product category
* Expansion- organic, internal product development or joing ventures or acquisitions? These are the vechicles
* Means by which arenas are entered matters greatly
* Failure to explicitly consider and articulate the intended expansion vechicles can result in the hoped-for entrys being seriously delayed, unnecessarily costly or total stalled
* Companies that use various vechicles will be at a severe disadvantage compared with companies that have some coherence in vechicle selection

**Differentiators:**

* How a firm will win the market place- how it will get customers
* Winning requires executives to make up fron decisions which weapons will e assembled ,honed and deployed to beat the competitors in the fight for customers revenue and profit
* Done thourgh superior products , aggressive branding image or unparalled service
* Or other method like low prices
* Achieving a marketplace advantage doesn’t mean that company has to be extreme on one diffenentiation dimension, ofther the best combinations of differentiators confers a better market place advantage.
* Image, customixation, price, product styling, after sale services or other – important thing is to make the right choice
* Differentiators don’t materialise have to be made, firms without them loose
* Strategist should give explicit preference to those few forms of superiority that are mutally reinforcing= eg image and product styling , consistent with the firms resources and capabilities and highly valued in the arenas the company has targeted

**Staging:**

* the speed and sequence of major moves to take in order to heighten the likelihood of success
* most startegies must follow a sequence to be successful
* decisions about implementing certain stages of strategy is driven by a number of factors, resources urgency or time or credibility, pursuit of early wins
* usually given far too little attention by strategists

**Economic logic:**

* having a clear idea of how profits well be generated, profits above the firms cost of capital
* revenus must be more than just over production cost
* most successful strategies have a central economic logic that serves as the fulcrum for profit creation- could be obtaining premium price for difficult to match product
* rooted in firms fundamental and relatively enduring capabilities

1. ***Most strategies incorporate 2 or 3 elements out of the 5 without giving consideration to the others***
2. ***5 elements not call not only for choice but also for preparation and investment, all 5 require certain capabilities that cannot be generated spontaneously***
3. ***All 5 elements must align and support each other***
4. ***Only after specification of all 5 strategic elements that supporting activities can be designed – functional policies, operating programs ...***

**IKEA case study:**

* Over past 25 years ikea strategy has veen highly coherent with all 5 elements rein forcing each other
* Arenas- sells cheap furniture, target is young white collar customers
* Geographic scope is worldwide, retailer and product designer to ensure integrity of its unique imate, does not manufacture
* Engages in organic expansion building its own stores, does nto make acquisitions of existing retailers and very few joint ventures
* Differentiators – product reliable quality and low price, ikea customers treated to fn non threatening atmosphere where people are allowed to wander, company strives to make customer fulfilment immediate, immediate delivery/collection compared to 6-10 weeks of competitors
* Speed an sequence – realised its approach would work in variety of countries committed itself to rapid international expansion, one region at a tme
* sets up one store which is supported by aggressive public relations and advertising to capture market, builds more stores later
* economic logic- scale of economies and efficiencies of replication, have enough standardisation to take advantage of being worlds larges, supplier cost low
* in each region ikea has enough scale to achieve substantial distribution and promotional efficiencies
* all actions fit together and align and interconnect leading to revenues of 8billion dollars for ikea

**Brake products international: charting a new direction**

* BPI struggled in the past as the worldwide auto industry consolidated, its reaction was combo of disparate diversification initiatives along with expense cuts- result bad
* Targeted arenas- expanding beyond current market of north America and European plants by adding asia which was rapidly expanding, limited manufacturing to brake and suspension products, integrated their parts with other parts to create kit
* 3 major vechicles-commited to organic internal development of new generations of braking systems
* Entered strategic alliances with leading suppliers of suspension components for kit
* Joint ventures with brake companies in china korea Singapore to expand to asia
* Differentiators- already a technology leaderwhich would be further nurtured , integration suspension assemblies
* Staging – felt urgency on various fronts but firm lacked resources and credibility to everything at once, started with joint ventures, formed alliance with other producers then launch integrated package
* Economic logic-leader in braking systems, would allow global customer an economical single source for braking products, saves customer time and money, deliver the integrated package saving customers purchasing cost and assembly costs
* Turn around highly successful

**Testing the Quality of Your Strategy**

Key Evaluation Criteria

1. Does your strategy fit with what's going on In the environment?

Is there healthy profit potential where you're headed? Does your strategy align with the key success iaclors of your chosen environment?

*2. Does your strategy exploit your key resources?*

With your particular mix of resources, does this strategy give you a good head start on competitors? Can you pursue this strategy more economically than competitors?

*3. Will your envisioned differentiators be sustainable?*

Will competitors have difficulty matching you? If not, does your strategy explicitly include a ceaseless regimen ol innovation and opportunity creation?

*4. Are the elements of your strategy internally consistent?*

Have you made choices oi arenas, vehicles, differentiators, and staging, and economic logic? Do they all fit and mutually reinlorce each other?

*5. Do you have enough resources to purBue this strategy?*

Do you have the money, managerial time and talent, and other capabilities to do all you envision? Are you sure you're not spreading your resources too thinly, only to be left with a collection of feeble positions?

*6. Is your strategy implementable?*

Will your key constituencies allow you to pursue this strategy? Can your organization make it through the transition? Are you and your management team abie and willing to lead the required changes?