**Theme:** 2.

**Reading:** Are You Sure You Have a Strategy?

**Author:** D. C. Hambrick and J. W. Frederickson.

Strategy is a framework designed to specify the general aims of a company and specific means by which they will achieve them.

**Five elements:**

*1) Arenas:*  -Specific products/ranges

-Specific markets.

-Geographic locations.

*2) Vehicles:* -Organic growth.

-Joint Ventures.

-Acquisitions.

*Must be chosen carefully, not as an afterthought.*

*3) Differentiators:* -Pre-select aspects to be unique and compete on.

e.g. best quality, aggressive branding, product image.

-Choose mutually reinforcing, not contradicting differentiators.

e.g. best quality and lowest price?

*4) Staging:* -Sequence and timing in which objectives are to be achieved.

e.g. Expand product line before expanding geographically.

*5) Economic Logic:* -Sound economic logic on how the firm will make profits.

-Not just speculative reasons for revenue exceeding costs.

**The Imperative to Strategic Comprehensiveness**

1) All five elements need attention.

2) All five elements require preparation and investment to gain capabilities.

3) Strategic elements must be aligned and support each other.

4) Internal structure is designed to support strategy.

**IKEA: Comprehensive Strategy**

*Arenas:* -Sells relatively inexpensive Scandinavian style furniture.

-Young, primarily white-collar customers.

-Geographic Scope is worldwide.

-Design furniture: outsource manufacturing.

*Vehicles:*  -Grows organically. Few joint ventures. No Acquisitions.

*Differentiators:* -High quality.

-Lower prices.

-More fun and less threatening shopping experience.

-Large inventory: can take home or same-day delivery.

*Staging:* -Set up stores one at a time.

-Foothold store in selected countries to lay claim to retail concept.

-Return again to fill in with new stores.

*Economic Logic:* -Economies of scale in design/production.

-Low costs from long term suppliers.

-Local distribution/Promotion economies of scale.

-Learning curve due to staging.

*Elements fit together.*

**-A strategy doesn’t have to exclude opportunities that arise later.**

**-A strategy doesn’t require a business to become rigid.**

**-The lifespan of strategy can be relatively short and doesn’t overextend into the future.**