

# UNIVERSITY OF THE PEOPLE

BUS 4403-01 BUSINESS POLICY AND STRATEGY - AY2025-T1

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# Title: The Three Schools of Strategy: An Overview

## Introduction:

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The diverse schools of thought that have shaped the field of strategic management have each offered their own methods for developing and putting plans into practice inside enterprises. The Design School, the Planning School, and the Positioning School are the three well-known schools of strategy (Ritson, 2011). These institutions offer various viewpoints on how companies might get a competitive edge in fast-paced settings. This essay examines each of these philosophical traditions and offers instances of their practical implementation.

## The Design School:

One of the first schools of thought on strategy was the Design School, which is distinguished by its focus on an organization's internal and external fit. This institution supports the idea that developing a strategy should be a thoughtful, intentional process that aligns organizational competencies with external opportunities. It advises managers to develop plans that take advantage of outside possibilities and risks while coordinating with the advantages of their company. The SWOT analysis—strengths, weaknesses, opportunities, and threats—which this institution is renowned for helps managers grasp how their business and the market interact.

**Example:** The approach used by IKEA is an illustration of the Design School in action. IKEA combined its external potential of a growing market demand for reasonably priced, modern furniture with its internal strengths of cost-effective production and great brand recognition to

produce its distinctive flat-pack furniture design and self-assembly model. IKEA has been able to sustain its competitive advantage in the global furniture market because to this strategic alignment (Dudovskiy, 2022).

## The Planning School:

A prescriptive approach to strategy known as the Planning School views the process of formulating a plan as formal and structured. To create a methodical and comprehensive strategy, this school makes use of substantial data collection, forecasting, and long-term planning. In this context, strategy is more than just formulating a big vision; it also involves dissecting it into manageable phases, budgets, and schedules. Organizations that follow this school of thought think that reaching strategic goals requires thorough planning and analysis.

**Example:** In the 1980s, Jack Welch led General Electric (GE), which is a perfect illustration of the Planning School. Welch established a strict procedure for strategic planning that prioritized cost-cutting, operational effectiveness, and portfolio management. GE became one of the most prosperous conglomerates of the time by strategically redistributing resources to productive endeavors and selling off underperforming ones (Fernández-Aráoz, 2021).

## The Positioning School:

The external market and competitive dynamics are the main factors that determine strategy, according to the Positioning School. The Positioning School places a strong emphasis on examining the industry structure and positioning the company appropriately, in contrast to the Design and Planning schools, which take both internal and external aspects into account. A vital

resource of this institution is Michael Porter's Five Forces Model, which aids businesses in evaluating the competitive environment. Finding a profitable position that gives the greatest potential inside the market is the aim of this school.

**Example:** Walmart's marketing technique is a famous representation of the Positioning School.

Walmart developed itself as the lowest-cost retailer in order to leverage on its cost leadership advantage. Through the strategic usage of economies of scale, beneficial supplier agreements, and supply chain optimization, Walmart has efficiently sustained its significant position in the retail industry (Chen, 2023).

## Conclusion:

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Managers looking to gain a competitive edge will benefit greatly from the unique perspectives on strategy creation offered by the Design, Planning, and Positioning Schools. The Design School emphasizes internal-external alignment, the Planning School advocates for structured processes, and the Positioning School focuses on market dynamics. Organizations often draw from multiple schools depending on their context, making a comprehensive understanding of these approaches essential for strategic success. By applying the principles from these schools, companies can navigate complex markets and enhance their strategic positioning.

Reference:

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