

L4

THE COMPONENTS OF STRATEGY

Strategy is a highly complex concept and attempts to define it adequately within the compass of a sentence or two are almost certainly going to miss out some key elements. Among the many definitions in the literature can be found a number of words and phrases that are all linked in some way with the notion of strategy (Sadler, 2003)

1. Purpose or mission;
2. Policies;
3. Defining what business the company is;
4. Objectives or goals;
5. Opportunities and threats;
6. Key success factors;
7. Key decisions;
8. Capabilities or competences;
9. Planning and scheduling;
10. Implementation;
11. Sustainable competitive advantage

1. Purpose or mission

In effect, Purpose is a statement of why the company prevail or exist. Company statements of purpose are likely to fall into these groups (Sadler, 2003):

- The purpose is to build shareholder value.
- The purpose is to cover the needs and wants of all stakeholders.
- The purpose is in the first ranking as it is inspiring and challenging.

2. Policies

Policies are controlling instructions/guidelines or **principles** that are considered as a vital part of the organization's 'success model'; that is to say, they are *practices* or *ways* of doing things, *frequently long established*, that are seen as indispensable parts of the company's formula for achieving a sustainable competitive advantage. A simple example will make this clear. Marks and Spencer has long practised the policy of unquestioningly accepting returned goods and refunding customers' money. This practice is one among a number that the company believes have been important factors in its long-term success. It is also the case that until relatively recently the company refused to accept credit cards. This policy was believed by many outsiders to be seriously mistaken and a contributory factor in the company's loss of market share in recent years. (Sadler, 2003)

3. Defining what is the business/company

Decisions about company/corporate purpose and company policies are related to two vital sets of strategic decisions – what business the company is and what type of company it is? Decisions of the first sort are to do with choice of industry or industries

in which to operate and which sectors or niches within broad industry groups to focus on. Decisions of the second category are to do with the difficult and intangible area of corporate culture. (Sadler, 2003)

4. Objectives or goals

These terms are frequently employed interchangeably. Strategic objectives are usually ones to be achieved over the medium to long term. They may be financial such as a certain increase in earnings per share or non-financial such as a percentage increase in market share. In theory they should be capable of being quantifiable and hence susceptible to measurement. Goals are statements that describe what an organization is endeavouring to achieve. Goals are usually a collection of related programs, a reflection of main actions of the company. For example, Wal-Mart might announce a financial goal of rising its revenues 20% per year or have a goal of growing the international parts of its empire. Try to think of each goal as a large umbrella with several spokes coming out from the center. The umbrella itself is a goal. In contrast to goals, objectives are very precise, time-based, measurable actions that support the completion of a goal. Objectives naturally can have at least these characteristics: (1) be related directly to the goal; (2) be clear, concise, and understandable; (3) specify a date for accomplishment; and (4) be measurable. Apply our umbrella analogy and think of each spoke as an objective. Going back to the Wal-Mart example, and in support of the company's 20% revenue growth goal, one objective might be to "open 20 new stores in the next six months." Without specific objectives, the general goal could not be accomplished—just as an umbrella cannot be put up or down without the spokes. Importantly, goals and objectives become less useful when they are unrealistic. For instance, if your university has set goals and objectives related to class sizes but is unable to ever achieve them, then their effectiveness as a management tool is significantly decreased. (<https://2012books.lardbucket.org/books/management-principles-v1.0/s10-goals-and-objectives.html> , Sadler, 2003)

5. Key success factors

If the corporate is to maintain a leading position in a particular market, it should have a key success factors. For example, in the extremely competitive world of the foremost supermarkets the key success factors comprise:

- Site location and acquisition;
- Average store size;
- IT systems linking point of sale to logistics;
- Accurate and rapid feedback from consumer research;
- Purchasing power

6. Key decisions

Strategic decisions are ones that are of fundamental importance to the business, but will not prove to have been right or wrong for some considerable time. For example, the decision to make an acquisition of another company will normally take at least two to three years before a realistic view can be taken as to whether or not it was a sound decision. Strategic decisions are normally irreversible (unchanging/firm) or at least can only be reversed at considerable cost. Among the most important decisions are ones to do with the *allocation of resources*, particularly the *allocation of capital*. An obvious example is the choice between funding *organic growth* and funding growth by acquisition.