

What is Strategy?

Prof. Jose: So, what is strategy? A master plan? A grand design? A plan of action? Programme? or Policy? The art of war or the art of winning? or something else? But one thing is very clear. Everyone from the janitor to the CEO freely uses the word strategy. What is not clear is whether they are all referring to the same thing.

Prof. Sai: The dictionary meaning of strategy is A plan of action designed to achieve a longterm goal. But in the context of organisations this definition needs to be reworked.

Prof. Rejie: I agree.. Consider the definition that Alfred Chandler, the prominent business historian has given us.. Chandler says “The determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals” is what strategy is all about.

Prof. Sai: In fact, strategy is what strategists do. The set of actions that firms take to deliver superior performance or what we now like call as competitive advantage. As Bruce Henderson, the founder of BCG, a top strategy consulting firm, put it very succinctly “Strategy is a deliberate search for a plan of action that will develop a business’s competitive advantage and compound it.”

Prof Jose: I guess it is useful to mention here what strategy is not as Michael Porter put it in his 1996 article on What is strategy? Strategy is not operational effectiveness. It is not business process reengineering, benchmarking or any other such thing. In fact, Porterdefined Strategy has the ability to create unique and valuable position that is not easily imitated by others and therefore Strategy is what allows a firm to create and protect its competitive advantage.

Prof. Rejie: But really how deliberate is this process of strategy making? Do firms stumble upon a strategy or do they deliberately craft one and and nurture their comparative advantage And frankly there are conflicting views on this. Some see the process of strategy making as a deliberate and calibrated exercise, others say it is not.

The principal proponent of this alternative view is Henry Mintzberg, whom as you know Mintzberg says the Strategy is “emergent” it is basically a process and a pattern of actions rather than one which is fully formulated in the beginning.

Prof. Sai: In fact, a good definition that covers both the emergent perspective as well as the deliberate perspective is the one that is offered by Nag, Hambrick & Chen. They define

Strategic Management as “The field that deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources to enhance the performance of the firm in their external environments.” It is a mouthful definition, but a very comprehensive one. We can focus on four key terms of phrases.

The first is initiatives, these constitute the action plan then this definition also refers to the performance of firms which we already discussed. It also talks about initiatives and how they involve resources and capabilities and finally these initiatives are taken in the context of firm’s external environment.

Prof. Jose: To sum up, strategy is about a firm’s long term performance and competitive advantage. We should note here that performance does not refer to financial returns alone. For instance, for-profit firm like Walmart may have very different goals compared to a nongovernmental organisation like say the Red Cross. Hence the metrics they would use to evaluate their performances would also be vastly different. Walmart whose aim is shareholder value maximization. Would use metrics such as ROE or sales or Stock Prices to assess its performance. On the other hand, Red Cross which aims to save lives and build resilient communities might use different metrics to evaluate their performance.

Prof. Rejie: So now that we defined what is strategy is. It is still important to characterize the nature of the strategic decision and it is to that, we will turn next.