Functional Strategy

Idea In Short

A functional strategy is the approach a business functional takes to achieve corporate and business unit objectives and strategies by maximizing resource productivity. It deals with a relatively restricted plan that provides the objectives for a specific business function.

A functional strategy helps set objectives that guide the optimum allocation of resources among different business functions. This strategy also guides and facilitates coordination among the functions to maximise their outcomes. Functional Strategy is concerned with the question - How do we support the business strategy within functional departments, such as Marketing, HR, Production and R&D?

Why is it important?

Functional strategy often aims to improve the effectiveness of a company''s operations within departments. Within these departments, employees often refer to their Marketing Strategy, Human Resource Strategy or Innovation Strategy. When all the functional departments of a company work together in same direction, they ultimately achieve the business and corporate. Hence, the goal of functional strategy is to align these strategies as much as possible with the business strategy. If the business strategy is to offer new products to customers, the marketing department should design efficient marketing campaigns targeting innovators and early adopters through the right channels. Functional strategies are operating level of strategies. The decisions taken at this level are referred as tactical decisions. Hence, these decisions are very operational in nature and are therefore not really part of strategy. As a consequence, it is better to call them tactics instead of strategies. Nevertheless, the main purpose of a functional strategy is to enable the company''s strategy – not to achieve functional excellence.

Case for functional strategy

Macro trends, such as globalization, digitization, automation, outsourcing, increased competition, and process improvement have raised expectations for efficiency gains. Correspondingly, the business functions are often the first ones to suffer from the incoherent corporate and business strategies. Furthermore, in most companies, each business function has multiple, competing priorities. As a result, functional strategy is growing in importance and relevance. As the need for focus is growing, functional strategies help their organization become coherent and fit for purpose. Functional strategies help enhance focus only on those value-adding portfolio of activities that are strategically important to the company. Thus, functional strategy also helps drive a company's distinctive value proposition. Ultimately, functional strategy also helps shape the corporate strategy. Because functional level strategy is so specific, it is usually more difficult to set than corporate and business strategies. But, taking the time to hammer out the actionable strategies of each department can help align goals from the top of your organization all the way down to the individual employees. This will help the managers throughout your organization get a better understanding of how their departments and employees impact the business and corporate strategies. When all these pieces fit together in achieving a singular goal, success is inevitable.

Case – Google

In 2017, for example, Google addressed two complaints, one primarily from advertisers and the other from customers. Advertisers complained that their ads were appearing on the same screen with content they felt put the company in a bad light (soft porn clickbait and on white supremacist videos on Google's YouTube). Customers complained that their search inquiries were exposing them to fake news sites, and they were growing increasingly discontent with the way in which their personal information was being used to develop sellable information to other companies. In response, Google gave advertisers more control over where their ads appeared, purged objectionable political and sexual content from YouTube, and removed egregious sexual and political content from search results.

Case – Yahoo!

When Yahoo! hired Marissa Mayer, a highly visible and successful Google executive, to turn around a struggling Yahoo, investors originally believed she would succeed, but she didn't. Many of her problems had to do with her not understanding how the company functioned operationally. She underestimated the resistance of lower level Yahoo! employees to

Meyer's proposals to change. Eventually, in response to her lack of success in changing the company, she determined the best available solution was to sell it. In 2016, Meyers sold what was once a $135 billion company to Verizon for $5 billion. Meyer's vision for the company, incorporated in the corporate strategies she planned, failed because the company proved incapable or unwilling to carry out those strategies at the functional level. Eventually, this required Meyer's revised corporate strategy of selling off the company's assets to Verizon.

Summary

Even in the best of times, developing the right strategy for your company can be a challenge. You have to worry about the now, while also planning for the future. By definition, strategy is really about where to play and how to win the game. However, according to research outlined in the Harvard Business Review, 85% of executive leadership teams spend less than one hour per month discussing strategy and 50% spend no time at all. The research also reveals that, on average, 95% of a company's employees don't understand its strategy. It's no wonder, then, that 90 percent of businesses fail to meet their strategic targets. What sets successful companies apart is that they have a coherent strategy. They also have mechanisms to ensure that all their stakeholders (employees, suppliers, etc.) live the strategy every day. They carry it all the way through every aspect of their execution. Bottom line, execution without strategy is aimless!