Levels Of Strategy

Idea In Short

There is a Japanese saying that goes:

> When you're dying of thirst, it is too late to think about digging a well.

This saying exalts the importance of strategy to success in any endeavor.

For most businesses, success is not a random occurrence, but rather a series of right decisions taken at the right instances. Meticulous planning, preparation, and execution determines success for most organizations. All this starts with defining the right strategy.

Why need strategy?

Strategy and strategic management are important for a business' long-term success. As a company begins to grow or change over time, knowing the eventual goal and the rough path it needs to follow are essential. Without this knowledge, it will be impossible for employees and departments to understand how to get to the eventual goal. Furthermore, for a strategy to be successful, it needs to consider the forces both, internal and external to a company. Hence, strategy and strategic planning equip a company's leaders with the awareness and preparedness to deal with potential market / industry shifts. Therefore, leaders and managers should leverage such insights from strategic planning to competitively position their organisations and pre-emptively take action. In the worst case, dire external events may even dislodge a company out of its existence.

Case - Ford Motor Company

The analogy of the buggy whip industry obsoleted by the advent of automobiles is over-used. However, this example sends a clear message on the need for strategy. Imagine a

transportation conference in 1908, attended by hundreds of companies in the horse-driven carriages industry. The Ford Motor Company unveils its Model-T at the event. The legacy wagon, buggy whip and roller bearing companies must have been worried about their survival and how much time they had left. The smart ones would have foreseen the changing industry landscape. Consequently, they would have embraced Ford's awesome disruptive innovation. Furthermore, they would have figured out how to pivot their business models to participate in a new world. For example, Timken Company shifted its business model from making roller bearings for carriage wheels to auto wheels. Today, it is a $ 4 billion company. None of the buggy whip manufacturers survived.

Case - Olivetti

As the above example shows, strategy is at the heart of every decision an organization needs to make to steer its course. If the Management architects a poor strategy, no amount of diligent execution will deliver results. Olivetti, an Italian office products manufacturer, learned the importance for a holistic strategy the hard way. When the era of electronic typing set in the latter half of the 1900's, Olivetti faced near collapse when its flagship mechanical typewriters were obsoleted by electronic writing instruments. Then, Olivetti revamped its strategy and transitioned to information technology that was sine qua non for its survival. Today, with the onset of the Digital Age, most organizations find themselves in the same position as Olivetti did in the 1950's. The leaders of established organizations face a world that's constantly changing. In addition, competition happens in new and previously unimaginable ways, also on a global scale. Again, in the 1990s, Olivetti's computer business was facing intense competition from US and Taiwanese vendors. It was on the brink of collapse and needed government support to stay afloat. Eventually, the company transitioned into telecommunications. In the process it lost around 75% of its staff. Strategy impacts every department, employee and activities of the organization. To thrive in this new age, companies should constantly realign their strategies with the new realities and developments, also from across other industries.

Perspective matters

Ted Levitt at the Harvard Business School published a popular article entitled Marketing Myopia. This article is an essential reading in most MBA programs. The basic idea is that companies should define themselves in terms of broad industry perspectives rather than narrow product position. To take Ted Levitt's examples, railroad companies should see

themselves in the transportation business. Likewise, oil companies should see themselves as operating in the energy business. Many businesses subscribe to the idea, despite their leaders not having read the article. Once the leaders have grasped the industry in which their companies operate it, the next step is to prepare their organizations for sustained competitive advantage. This starts with articulating a holistic strategy.

Levels of strategy

However, today, strategy is not just for leaders and managers anymore. To bring about the desired change across the organization and set it up for future success, all levels in that organization must subscribe to the various strategies. Hence, having a solid understanding of the levels of strategy relevant for a business will help leaders and managers break their strategy into the correct levels. This not only helps align the company-wide goals from the top of your organization (the corporate level) to the bottom (the functional level), but also deliver a clear path to achieving the business objectives. The levels of strategy are:

1. Corporate strategy
2. Business strategy
3. Operational strategy, and
4. Functional strategy

Crowdsourced strategy

In 20212, McKinsey published an interesting piece titled, The social side of strategy:

> In 2009, Wikimedia launched a special wiki—one dedicated to the organization's own strategy. Over the next two years, more than 1,000 volunteers generated some 900 proposals for the company's future direction and then categorized, rationalized, and formed task forces to elaborate on them. The result was a coherent strategic plan detailing a set of beliefs, priorities, and related commitments that together engendered among participants a deep sense of dedication to Wikimedia's future. Through the launch of several special projects and the continued work of self-organizing teams dedicated to specific proposals, the vision laid out in the strategic plan is now unfolding.

Wikimedia's effort to crowdsource its strategy probably sounds like an outlier. However, over the past few years, a number of organizations have opened up their strategy processes to relevant stakeholders. That is to say, organizations are experimenting with more participatory modes of strategy development. Examples of such leading thinkers include 3M, Dutch insurer AEGON, HCL Technologies, Red Hat, etc. In today's Information Age, improving the quality of strategy requires pulling in diverse and detailed perspectives from across the organization. Traditionally, the perspectives of frontline employees were overlooked. Today, however, these inputs can make the difference between strategic success and failure. Strategies more insightful, actionable and palatable to employees across the board when they partake in the process. Furthermore, engaging employees in strategy development builds enthusiasm, alignment and buy-in behind a company's strategic direction. These are critical components of an organization's longevity.

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 that 90% 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!