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# Three Forms of Strategy

## Corporate, Competitive and Strategy in General

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My work affords me the opportunity to study related topics. In this case, the topic is strategy. This is one of several occasional papers I prepared while head of Strategic Planning & Management Services at Educational Testing Service.

### OBJECTIVES

Keep one ear open in almost any business environment and the term "strategy" is sure to crop up on a regular basis. Unfortunately, those using the term frequently fail to define the way in which they are using it. Nor do those hearing it bother to check to see how it is being used. As a result, conversations about strategy can become confusing.

There are at least three basic forms of strategy in the business world and it helps to keep them straight. The objectives of this brief paper are to clarify the general concept of strategy and draw attention to the importance of distinguishing among three forms of strategy: (1) strategy or "strategy in general," (2) corporate strategy and (3) competitive strategy (Figure 1).



*Figure 1 - Three Forms of Strategy*

## THE CONCEPT OF STRATEGY

The many definitions of strategy found in the management literature fall into one of four categories: plan, pattern, position, and perspective. According to these views, strategy is:

1. A *plan*, a "how," a means of getting from here to there.
2. A *pattern* in actions over time; for example, a company that regularly markets very expensive products is using a "high end" strategy.
3. A *position*, that is, it reflects decisions to offer particular products or services in particular markets.
4. A *perspective*, that is, a vision and direction, a view of what the company or organization is to become.

As a practical matter, strategy evolves over time as intentions accommodate reality. Thus, one starts with a given perspective, concludes that it calls for a certain position, and sets about achieving it by way of a carefully crafted plan. Over time, things change. A pattern of decisions and actions marks movement from starting point to goal. This pattern of decisions and actions is called "realized" or "emergent" strategy.

## STRATEGY IN GENERAL

Strategy, in general, refers to *how* a given objective will be achieved. Consequently, strategy in general is concerned with the relationships between ends and means, that is, between the results we seek and the resources at our disposal. Strategy and tactics are both concerned with formulating and then carrying out courses of action intended to attain particular objectives. For the most part, strategy is concerned with *deploying* the resources at your disposal whereas tactics is concerned with *employing* them. Together, strategy and tactics bridge the gap between ends and means (see Figure 2).



*Figure 2 - "Bridging the Gap"*

Although it is not my aim to draw definitive distinctions between strategy and tactics, it is next to impossible to say something about one without also saying something about the other. The table below summarizes some of the more important differences I've noted in my studies and observations of strategy and tactics.

<b>Aspects</b>	<b>Strategy</b>	<b>Tactics</b>
Scale of the Objective	Grand	Limited
Scope of the Action	Broad and General	Narrowly Focused
Guidance Provided	General and Ongoing	Specific and Situational
Degree of Flexibility	Adaptable, but not hastily changed	Fluid, quick to adjust and adapt in minor or major ways
Timing in Relation to Action	Before Action	During Action
Focus of Resource Utilization	Deployment	Employment

Strategy and tactics are both terms that come to us from the military. Their use in business and other civilian enterprises has required little adaptation as far as strategy in general is concerned, however, corporate strategy and competitive strategy do represent significant departures from the military meaning of strategy.

## **CORPORATE VERSUS COMPETITIVE STRATEGY**

Corporate strategy defines the markets and the businesses in which a company will operate. Competitive or business strategy defines for a given business the basis on which it will compete. Corporate strategy is typically decided in the context of defining the company's mission and vision, that is, saying what the company does, why it exists, and what it is intended to become. Competitive strategy hinges on a company's capabilities, strengths,

and weaknesses in relation to market characteristics and the corresponding capabilities, strengths, and weaknesses of its competitors. According to Michael Porter, a Harvard Business School professor and the reigning guru of competitive strategy, competition within an industry is driven by five basic factors:

1. Threat of new entrants.
2. Threat of substitute products or services.
3. Bargaining power of suppliers.
4. Bargaining power of buyers.
5. Rivalry among existing firms.

Porter also indicates that, in response to these five factors, competitive strategy can take one of three generic forms: (1) focus, (2) differentiation and (3) cost leadership.

### **OTHER FACTORS AFFECTING CORPORATE AND COMPETITIVE STRATEGY**

Other writers on the subject of strategy point to several factors that can serve as the basis for formulating corporate and competitive strategy. These factors include:

Products-services offered	Sales-marketing methods
Users-customers served	Distribution methods
Market types and needs	Natural resources
Production capacity-capability	Size/growth goals
Technology	Return/profit goals

Recently, "value disciplines" have been suggested as the basis for settling on strategy (corporate or competitive). The three basic "value disciplines" are:

<b><i>Operational Excellence</i></b>	Strategy is predicated on the production and delivery of products and services. The objective is to lead the industry in terms of price and convenience.
<b><i>Customer Intimacy</i></b>	Strategy is predicated on tailoring and shaping products and services to fit an increasingly fine definition of the customer. The objective is long-term customer loyalty and long-term customer profitability.
<b><i>Product Leadership</i></b>	Strategy is predicated on producing a continuous stream of state-of-the-art products and services. The objective is the quick commercialization of new ideas.

## SOME FUNDAMENTAL QUESTIONS

Regardless of the definition of strategy, or the many factors affecting the choice of corporate or competitive strategy, there are some fundamental questions to be asked and answered. These include the following:

### **Related to Mission & Vision**

- Who are we?
- What do we do?
- Why are we here?
- What kind of company are we?
- What kind of company do we want to become?
- What kind of company must we become?

### **Related to Strategy in General**

- What is our objective? What are the ends we seek?
- What is our current strategy, implicit or explicit?
- What courses of action might lead to the ends we seek?
- What are the means at our disposal?
- How are our actions restrained and constrained by the means at our disposal?
- What risks are involved and which ones are serious enough that we should plan for them?

### **Related to Corporate Strategy**

- What is the current strategy, implicit or explicit?
- What assumptions have to hold for the current strategy to be viable?
- What is happening in the larger, social, political, technical and financial environments?
- What are our growth, size, and profitability goals?

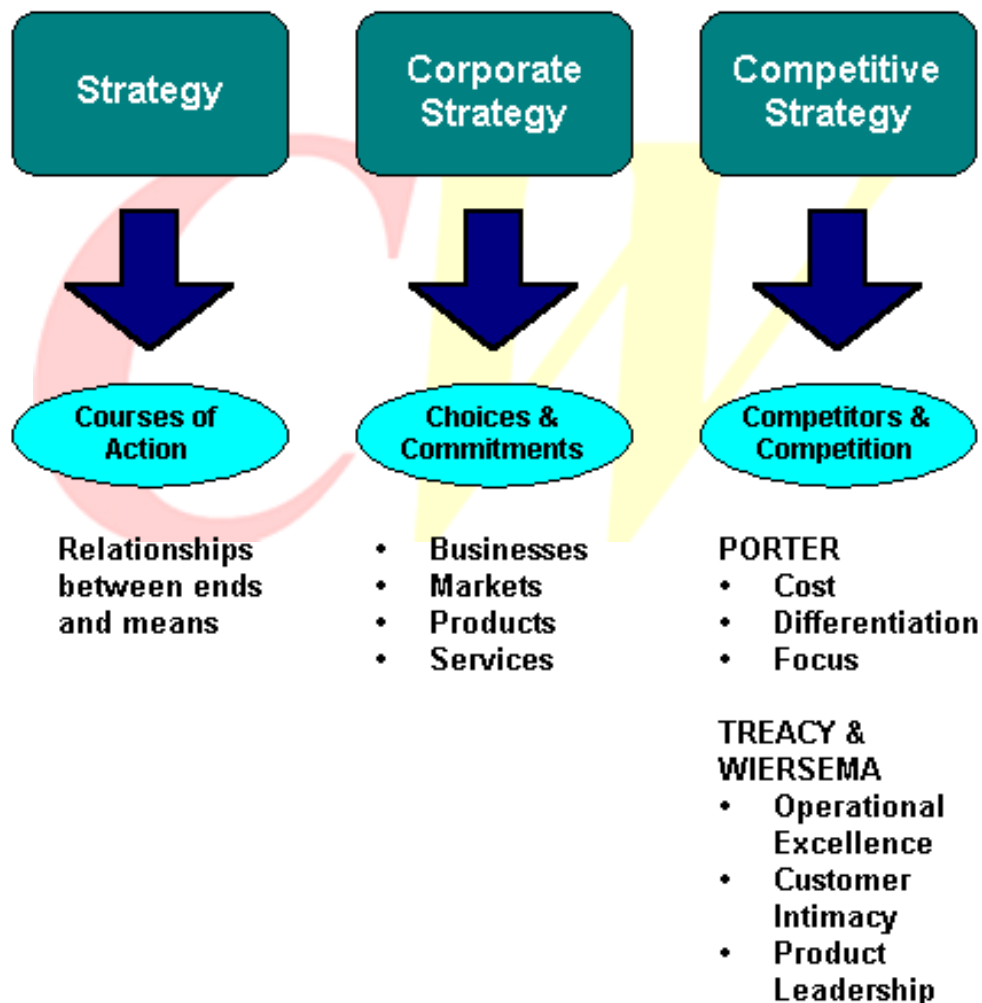
- In which markets will we compete?
- In which businesses?
- In which geographic areas?

### **Related to Competitive Strategy**

- What is the current strategy, implicit or explicit?
- What assumptions have to hold for the current strategy to be viable?
- What is happening in the industry, with our competitors, and in general?
- What are our growth, size, and profitability goals?
- What products and services will we offer?
- To what customers or users?
- How will the selling/buying decisions be made?
- How will we distribute our products and services?
- What technologies will we employ?
- What capabilities and capacities will we require?
- Which ones are core?
- What will we make, what will we buy, and what will we acquire through alliance?
- What are our options?
- On what basis will we compete?

## SUMMARY

The preceding discussion asserts that strategy in general is concerned with how, with courses of action intended to achieve particular objectives. Corporate strategy is concerned with choices and commitments regarding markets, business and the very nature of the company itself. Competitive strategy is concerned with competitors and the basis of competition. These basic points are illustrated in Figure 3.



*Figure 3 - Focal Points of Strategy*

## RECOMMENDED READING

Much of the preceding discussion is drawn from many well-known sources. To list them all would entail inserting an extensive bibliography right about here. Instead, I've chosen to list what I consider some "essential" readings.

1. *Competitive Strategy* (1986). Michael Porter. Harvard Business School Press.
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