

Business Strategy Defined

Key Points:

- There are many definitions of business strategy.
- Review and select a working definition before you and your team engage in strategy development work. A basic definition is provided below along with examples of succinct business strategy statements.
- A good business strategy should incorporate two key elements: 1) the way your firm competes and 2) the industry in which you compete.

Main Thoughts:

When it comes to strategy, there is no shortage of definitions. A simple Google search of the words 'business strategy' yields 225 million responses. When asked to consider the question, 'what is strategy?' most people respond with thoughts such as strategy is 'a game plan', 'a set of objectives and actions', or 'coordination and alignment of resources' all of which are intended to help an organization achieve its long-term goals and vision. In truth, each of these responses is correct, at least in part. But before an organization begins developing a strategy that will be both comprehensive and actionable, a more precise definition should be identified.

A good working definition of strategy is captured in the following short sentence:

A business strategy specifies the way a firm competes in an industry.

The two elements of this definition are worth expanding further.

The Way a Firm Competes: One of the definitions the Merriam Webster dictionary provides for the noun Way is "a course (as a series of actions or sequence of events) leading in a direction or toward an objective." Given the definition of this term, a business strategy then should include both objectives to be accomplished or general direction in which the firm is heading along with the actions or events that lead toward that direction. Objectives are the discrete goals of the strategy—what the company is trying to accomplish. Ideally they are specific (e.g. gain market share) as well as measurable (e.g. three share points). Actions or events clarify how the firm will achieve the objectives. Actions such as improve new product development process or create partnerships with key distributors are examples of the actions that might be taken. Often there are referred to as strategic initiatives.

Industry-Based: Business strategies address how firms compete within an industry. A business strategy should consider questions such as: 'what industry (or industries) are we competing in?', 'how profitable is our industry?', 'what changes are taking place within our industry that might affect us?' Industries are usually well-defined and the key competitors within an industry are typically known to the players. The commercial airline industry, the soft-drink industry or medical devices industry provide good illustrations. While some non-traditional competitors are blurring the nature of competition today, still the industry or industries stand as the forum within which a firm competes and thus should be considered in the basic definition of strategy.

As an Example:

The following strategy statements capture the essence of how each of these organizations completes consistent with the definition provided above:

Akzo Nobel (a Netherland-based Chemical Manufacturer)

"The new organization (established in January 2008) operates in three business areas – Decorative Paints, Performance Coatings, and Specialty Chemicals. We are now focused on maintaining momentum and leadership through accelerated growth (particularly in emerging

markets), leveraging our global leadership positions and continuous improvement of profitability through operational excellence.

<i>The Industry</i>	Paints, Performance Coatings and Specialty Chemicals.
<i>The Way (Objectives)</i>	Maintaining momentum and leadership
<i>The Way (Actions)</i>	Through accelerated growth (particularly in emerging markets), leveraging our global leadership positions and continuous improvement of profitability through operational excellence.

Edward Jones (a U.S. Based Full Service Financial Services Firm)

“Grow to 17,000 financial advisers by 2012 by offering trusted and convenient face-to-face financial advice to conservative individual investors who delegate their financial decisions, through a national network of one-financial-adviser offices.”

<i>The Industry</i>	Financial Services
<i>The Way (Objectives)</i>	Grow to 17,000 financial advisers by 2012
<i>The Way (Actions)</i>	Offering trusted and convenient face-to-face financial advice to conservative individual investors who delegate their financial decisions, through a national network of one-financial-adviser offices.

Editorial

Strategy is indeed very important and, as Sun Tzu noted, “It’s study cannot be neglected”. Unfortunately many times the main point associated with strategy—that it’s simply how an organization is going to compete (and ultimately win)—often is lost amongst a myriad of jargon that accompanies the real thinking. Further, I’ve seen the process of designing a strategy quickly take on a life of its own—especially when large numbers of people are involved each having a different view regarding what strategy is. This is why it’s critical to *start with a working definition* such as the one above. Everyone should have a shared view of the world. And regardless of how it gets developed, the end product should *adhere to the KISS principle: Keep it Short and Simple*.

At the highest level, grand strategies with detailed elaborations, numerous actions and accountabilities are no replacement for clear, concise thinking that can be broadly understood by an organization and can be measured to determine whether or not goals are being met.

For More Information:

The following resources can help in gaining a better understanding of what business strategy is.

References:

- Akzo Nobel Company Financial Report, 2007
- Collis, D. and Rukstad, M., Can You Say What Your Strategy Is?, *Harvard Business Review*, April 2008.

Magazines & Journals

- Journal of Business Strategy
- Long-Range Planning

Books & Articles

- Porter, M. E., 1996, What is strategy?, *Harvard Business Review*, November-December, 61-78.