1
THREE STAGES, THREE QUESTIONS

A CIRCULAR PROCESS

Where? What? and How? are the three key questions concerning a company or organization's strategy. To answer them, the circle of strategic decisions proposes a three-stage process: analysis, decision, and implementation. We will present the basic concepts of the process in a diagram. The organization's mission, vision, and values are in the centre of the circle, constituting the core of the model, and explaining why the organization exists.


WHERE AM I?
WHY?
WHAT SHOULD I DO?
HOW SHOULD I DO IT?

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Excerpt
More Information

WHAT ARE STRATEGIC DECISIONS?

First of all, let us think about the main characteristics of strategic decisions in companies and other types of organizations and how they differ from operational decisions.

Managers find it difficult to make strategic decisions, to develop this management skill. Their day-to-day work involves dealing with management issues that normally concern routine company activities and specific operations, areas, or departments. These require quick decisions and do not always call for a significant commitment of resources. This is operational management, the everyday running of the business. In this case, managers have had the opportunity to extensively develop their management skills and are normally capable of making operational decisions.

On the other hand, managing strategic decisions is different. This activity relates to the future of the company, and the setting of medium- and long-terms goals for the organization. These decisions affect the entire company and normally involve a strong commitment of resources. The challenge for managers is that they have to make these decisions with a limited amount of information and with few past experiences to draw on. Strategic decisions involve a high level of uncertainty and can rarely be reversed. There is no prior experience, the manager feels insecure and tends to seek outside help.

There is nothing wrong with enlisting the assistance of external experts; more and more, managers are using consultants to deal with management issues that do not involve operations. The problem arises when you abuse this crutch, because it merely delays the development of this strategic skill. Managers must take ultimate responsibility for the strategy of their organization and this task cannot be delegated to a subcontractor. They should choose the models that best suit their organization and simply make the strategic decision, learning from the process, along with the organization.

STRATEGIC DECISIONS	OPERATIONAL DECISIONS
LOOK TO THE LONG TERM	LOOK TO THE SHORT TERM
FAR-REACHING IMPLICATIONS FOR THE COMPANY	LIMITED IMPLICATIONS
ENVIRONMENT-ORIENTED	COMPANY-ORIENTED
SIGNIFICANT CHANGES	SMALL-SCALE CHANGES
COMPLEX ACTIVITY	ROUTINE ACTIVITY

In organizations, there are three levels of strategic management:

Corporate strategy defines the business areas or strategic business units in which the company wishes to operate. Corporate strategy leads a company to enter a new industry or withdraw from another one in order to achieve a balanced business portfolio.

Competitive strategy (or business strategy) defines how a business will compete in a particular market or industry. Competitive strategy sets out the course of action a company needs to take to position itself favorably vis-à-vis its competitors.

Functional or departmental strategy is equivalent to corporate and competitive strategy at the functional level (i.e., marketing, finance, operations, human resources, IT systems, etc.) or at the departmental or geographical level, depending on the company's organizational structure.

While corporate strategy involves decisions that affect the entire organization, business strategy concerns activity in a particular sector, and functional or departmental strategy has to do with an area of the company. In any event, a crucial element is the need for consistency between the different levels of a business strategy. In large corporations, the three levels are clearly differentiated, but in smaller organizations, the corporate and competitive levels tend to overlap because there is only one activity. In this book, we will focus on corporate and competitive strategy.

THE THREE STAGES: ANALYSIS, DECISION, IMPLEMENTATION

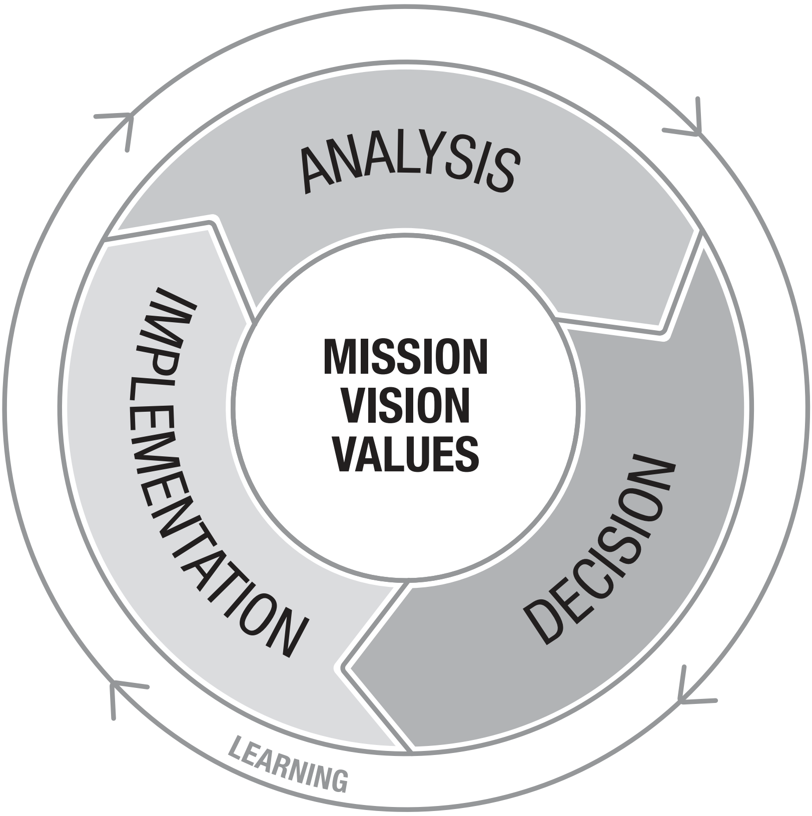
The circle of strategic decisions is a three-stage process: analysis, decision, and implementation. The three stages are sequential, interrelated, and dynamic, and form part of the same circle.

In the strategic analysis stage, the manager tries to understand the organization's current and future position. In the decision-making stage, the manager analyzes and assesses the options available and chooses one of them. In the implementation stage, the manager puts the decision into practice and manages change. The three stages are interrelated and form a strategic continuum.

Other schools of thought confine strategic decision-making to the strategy development, analysis and decision stages. However, strategy development on its own, without implementation, is no more than a theoretical exercise, a report or presentation that is never put into practice. In my opinion, brilliant strategy development is not very useful if the decision cannot be implemented and the outcome analyzed.

The strategic management process should be seen by an organization as a source of continuous learning. We learn as we move through the three stages: deciding, implementing, and analyzing. This process model can become a true learning wheel for managers and the organization. Complex processes do not always require complex models. The idea is to find rules and models that are easily understood by everyone. Simplicity is often the greatest sophistication.

THE CIRCLE OF STRATEGIC DECISIONS



MISSION, VISION, AND VALUES

These are the centre, the core, the most stable part of decisions. They are what remains, while decisions stimulate growth. The purpose or raison d'être of the organization, what it does is the mission. Where it wants to go, what it wants to be in the future is the vision. How it wants to do things, its beliefs are the values.

ANALYSIS

An analysis is an attempt to understand where the organization is, the strategic position of the organization in relation to its environment and internal capabilities. Analysis aims to provide a better understanding of the internal and external environment. It requires a certain distance, and perspective. It must be rigorous and supported by data, but it must also identify opportunities and anticipate trends.

DECISION

Strategy is decision; without a decision there is no strategy. The purpose of this part of strategic management is to choose a strategy. It requires generating options, comparing them, and deciding. The art of management is choosing a unique mixture of options. Choosing a course to follow. A course for the future.

IMPLEMENTATION

Decisions have to be implemented. Implementation is the last part of strategy, the part you can see and feel. It is doing, action. The question is how to move from decision to reality. It has to do with people and resources, being able to effect change, make things happen.

LEARNING

People and organizations can learn. This circle can be seen as a learning wheel. A continuous process in which the organization can learn and get better at strategic decision-making. Learning by doing, by deciding. Correcting mistakes and providing new solutions. Learning in a double loop.

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THE MISSION, THE VISION, AND THE VALUES

The circle of strategic decisions is based on the premise that the strategic management or planning process should take account of the organization's purpose or raison d'être.

The raison d'être can be expressed in a mission statement, business vision or values that guide the organization's actions. Large organizations tend to set out their mission, vision, and values in documents and videos. Small organizations, on the other hand, may not have written documents, but the organization's mission and values are implicit and usually coincide with those of the founder or founding family.

The mission can be used to define the policy the organization wishes to pursue in relation to its staff, shareholders, customers, suppliers, and society at large. Corporate social responsibility (CSR) aims to make the organization's contribution to society and social action initiatives tangible and measurable. Aside from CSR reports and related policy tools, there is a growing perception that organizations must be responsible for the impact of their activities on society.

The mission, vision, and values of an organization are at the heart of its strategy. They are the organization's raison d'être. They explain how it wants to do things and where it wants to go. It is stable and does not change with each decision. It is what remains, the foundation stones of the organization. However, there are different models or approaches for defining an organization's business activity, and management has to decide which is most useful for their organization.

According to Derek Abell, a former professor at various universities and the founding president of the European School of Management and Technology (ESMT) in Berlin, the mission defines the business