

The Necessary Differences in Strategy Formulation

The fundament of every strategy is the current situation of a company. This point of view allows corporations to derive strengths and weaknesses from the company and the opportunities and risks from the enterprise's environment. Acting in terms of a strategic management approach means to define objectives and how to achieve them in the long run.

This approximation to a definition of "strategy" leads to answers regarding the questions in what business areas a company shall work and how it shall position itself within the competition in specific segments. An overall strategy has to contain the guiding principle and vision of a company and must define the future of its business and make statements to the core competencies of the company.

Some companies meet this point of formulating their strategy well. Nevertheless, this does not seem to be enough in terms of strategy formulation. On this high level we are talking about "corporate strategy", which means giving strategic guidelines for the entire organization.

Business strategies of the individual business areas on the other hand are often overseen success drivers, which have to be developed with the same diligence as the overall corporate strategy.

The challenge in formulating business strategies is to set them up as specifically and individually as possible, by staying within the interest of the overall company and by avoiding conflicts of interests, in terms of business development, for example, or growth. Aligning the individual business strategies with the corporate "overall" strategic objectives is not an easy task for organizations. This also counts for the right resource allocation (e.g. capital, human resources) for each business segment, by following the defined corporate strategy.

Usually businesses use three levels of strategy in the planning process to help them grow and become sustainable.

➤ Corporate level strategy

This top level strategy answers the major question of what the corporation wants to achieve. Common objectives are, for example, growth, retrenchment or stability.

➤ Business unit level strategy

This "operational" level focuses on the question of how to compete on a daily basis. Common strategies on this stage center upon customer intimacy, product or service leadership, or lowest total cost.

➤ Market level strategy

This strategy level focuses on how corporations meet the goal to grow within their market. Strategies are set up for example on market penetration, market development, product or service development, or diversification.

