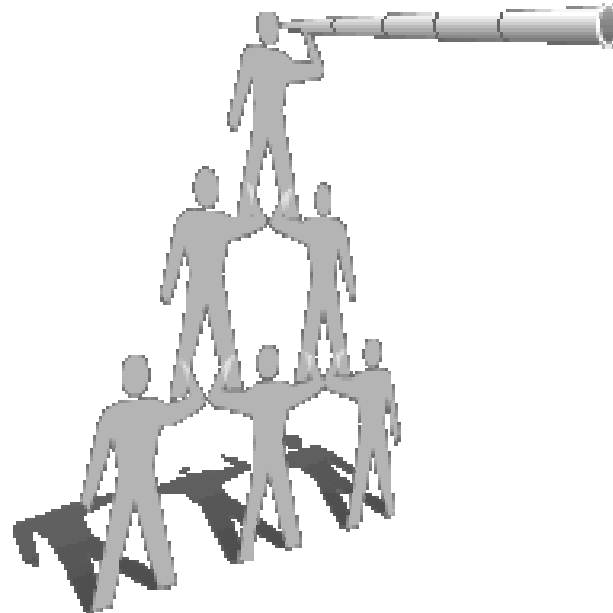


Strategy of Organization and Individual

How to define strategy?



Strategy

- Origines in Greek word „stratos“ (army general)
- „Answer to the question: *“Where do we want to go and how shall we come there?”* (Skat-Rordam)
- „Systematic plan of action“
- In GAME THEORY, a policy for playing a game. A strategy is a complete recipe for how a player should act in a game under all circumstances. Some policies may employ RANDOMNESS, in which case they are referred to as mixed strategies.
„Set of decisions, which determine the direction of development of an organization.“

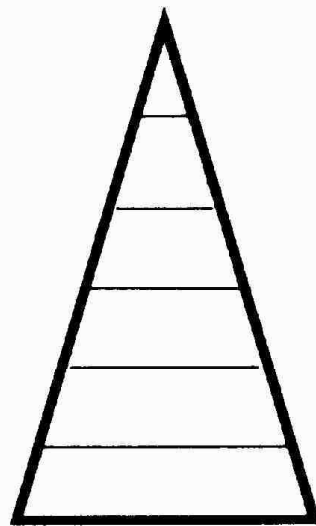
Strategy

- **It isn't important, where we are, but where do we go.**
- (But consider story about a millionaire – our steps aren't sometimes the crucial factor of success)

Different views of Strategic management

The strategy logic

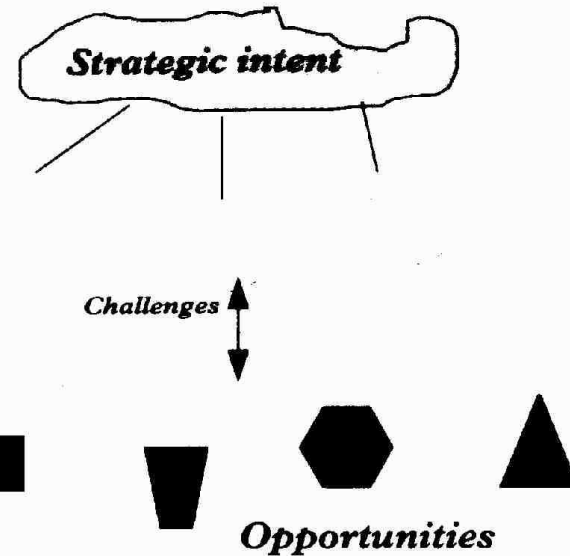
Old view – strategy pyramid



Top-down

Mission
Vision
Goals
Strategies
Tactics
Action plans

New view – strategy stretch



Top-down + bottom-up

Strategy stretch

- Enables more flexibility in decision making
- Reflects interaction between organization and its ambient
- Oriented to utilize opportunities
- Doesn't require only explicit knowledge (involves experience, intuition e.g.)
- Not just direction top-down, but also bottom-up (from opportunity to strategy)

Strategy pyramid

- Mission
- Vision
- Goals
- Strategies
- Tactics

Determining strategy

- How do we identify strategy in behavior of an organization?
 - Declared strategic objectives
 - Consistence of objectives
 - Consistence between objectives and behaviour (e.g.: chain of supermarkets with low-cost strategy: low buying prices; accepting low-skilled workers, reducing shopping area...)
 - Consistence in dif. levels of organization (*see later on*)

Knowledge strategy

- **Strategy of coping with knowledge** (on the level of individual, of team, of org.)
- **Two basic types of Knowledge strategy**
 - a) **Codification strategy** (← explicit knowledge)
 - b) **Personalization strategy** (← tacit knowledge)

Codification strategy

- Based on **explicit knowledge**
- The essence is collection of huge **database of information** and good system of its sorting
- to every situation you can find a similar example
- Lot of work with information systems
- E.g. Consulting company (*Accenture, Call centers, work of general practitioners*).
- Doesn't require very specialized personnel)
- (adequate economic strategies: cost leadership or differentiation) – see later



Brigitte Boeckmann / 1994

"Wow, I am on the expert list !!!"

Personalization strategy

- based on **tacit knowledge**
- works with small number of cases (advantage of expert approach)
- specialists try to find the best solution for a problem
- doesn't work with routine, but with creativity
- Based on direct communication between experts in different fields
- e.g. Clinical centers, University
- Adequate economic strategy: focus strategy



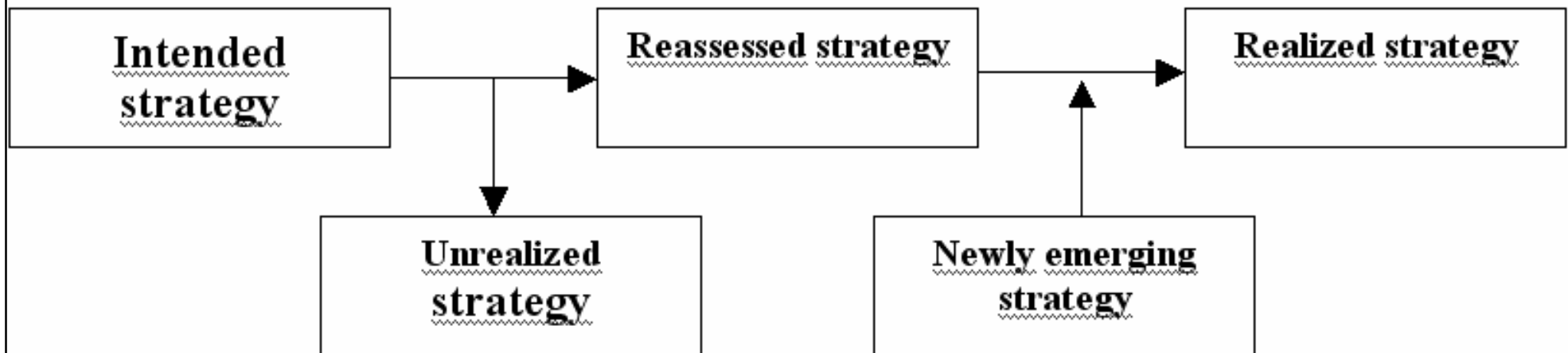
Reality

- Even if different fields of work require codification, resp. personalization strategy, never we use just one of them!
- Distinction of both strategies helps us to understand better type of knowledge, we should seek.

Intended strategy vs. Realized strategy

- It isn't so clear, that we just fulfill strategy, we intend to realize
- Role of changing environment
- Role of changing mental models, opinions and aspirations
- Strategy isn't just result of rational process of planning, but can arise spontaneously (Mintzberg)

Intended strategy vs. Realized strategy (Papula)



Hierarchy of strategies in organization

- Corporate strategy
 - includes the whole org.
 - long—term objectives
 - Most important strategical decisions
- Business strategy
 - Designed for **Strategic Business Unit** (part of organization with clearly set objectives, which is an actor in clearly specified market segment; e.g. Dept. of psychology)
 - Has to accord with Corporate strategy (vertical compliance)
- Functional strategy
 - Pursues effectivity in resources-allocation
 - In various fields (funding, marketing, human resources, customer relationship), which have to accord with each other (horizontal compliance)

Generic strategies of SBU (M. Porter)

- **Generalized possibilities** of strategical choice
- **Two criteria:** competition range (*many or few customers?*) and competition advantage (*costs or added value?*)
- Enables us to follow up consistence of accepted measures

Generic strategies of SBU (M. Porter)

Competitive range	Competitive advantage		
		Lower costs	Differentiation
	Broad target	<i>Costs leadership</i>	<i>Differentiation</i>
Narrow target	<i>Focus strategy</i>		

1. Cost leadership strategy

- Maximalization of effectiveness of production
- We are able produce for less than competitors
- Despite low prices, our profit will be higher
- Disadvantage: customer may fall out of scope of attention

2. Differentiation strategy

- Contact with needs of clients
- Producing of modified products with **value for customers** (e.g.: comfort in busses, non-smoking restaurant in competition of normal rest.)
- Enables to catch up wide segment of market even if our prices aren't lowest.
- Risk: the level of specialization mustn't be too high

3. Focus strategy

- Orientation on closely profiled group of customers, who are willing to pay a lot
- Better knowledge of the segment and better adjustment to the needs of selected group
- In work with knowledge → use of personalization strategy
- E.g. luxury goods, scissors for left-handed people, psychological counselling for advertising companies

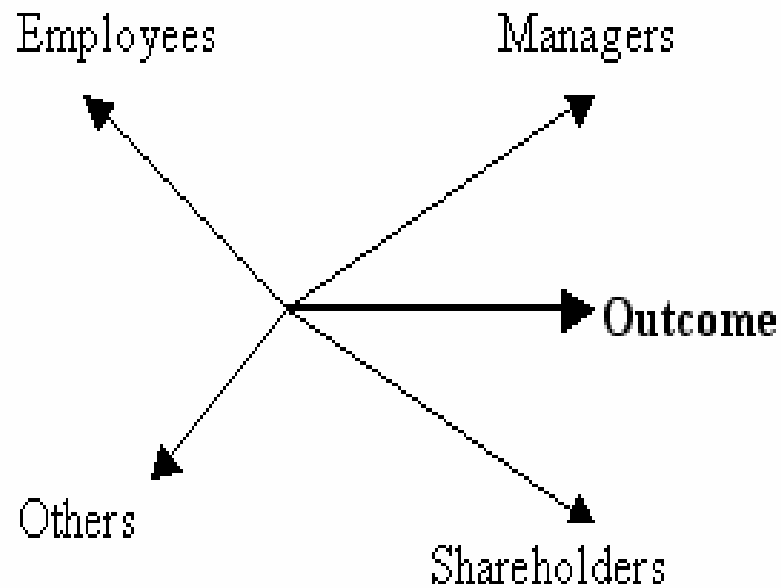
Criteria of optimal strategy setting

- How can we recognize, which type of strategy do we need?
 - Our own vision and mission
 - Level of competition
 - Structure of market
 - Our resources and size of organization
 - Type of activity (share of human work on expenditures)
 - Homogeneity/diversity of customers' demands

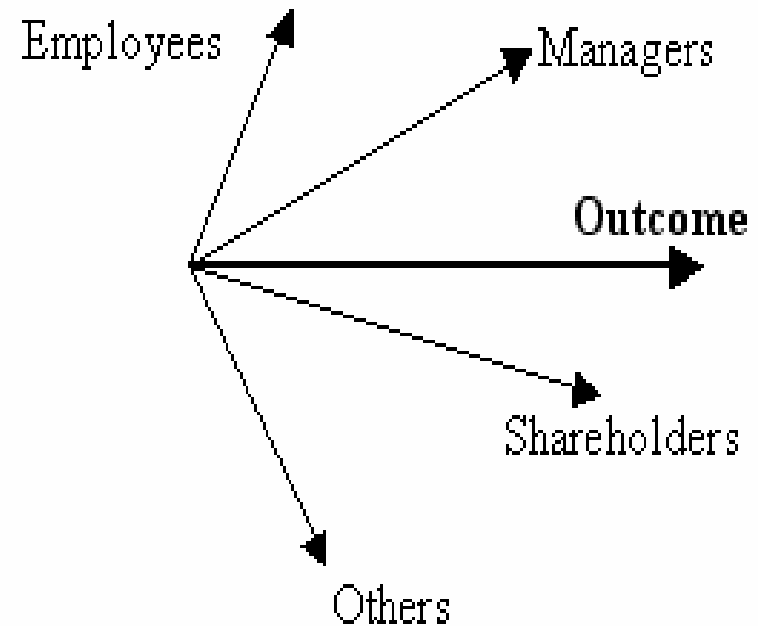
Strategic goals

- Base for formulation of strategy
- They concretize the conception of future position of organization
- They concentrate diverse interests of intrerested groups (e.g. management, staff, owners, clients)
- They have to be SMART (Ondra will tell, what does it mean)
- They can be synergic, or in conflict

Conflictfully and synergically motivated strategical goals



A. Conflictful goals



B. Synergic goals

Famous dicta about strategy

- *„Regarding strategy, less meditate and more do about it.“* (Jack Welsh)
- *„Millionnaires don't believe in astrology. Billionaires do.“* (J.P.Morgan)
- *„It's necessary to work as everything would depend on you and nothing on God, but it's necessary to trust as everything would depend on God and nothing on you.“* (Ignatius of Loyola)