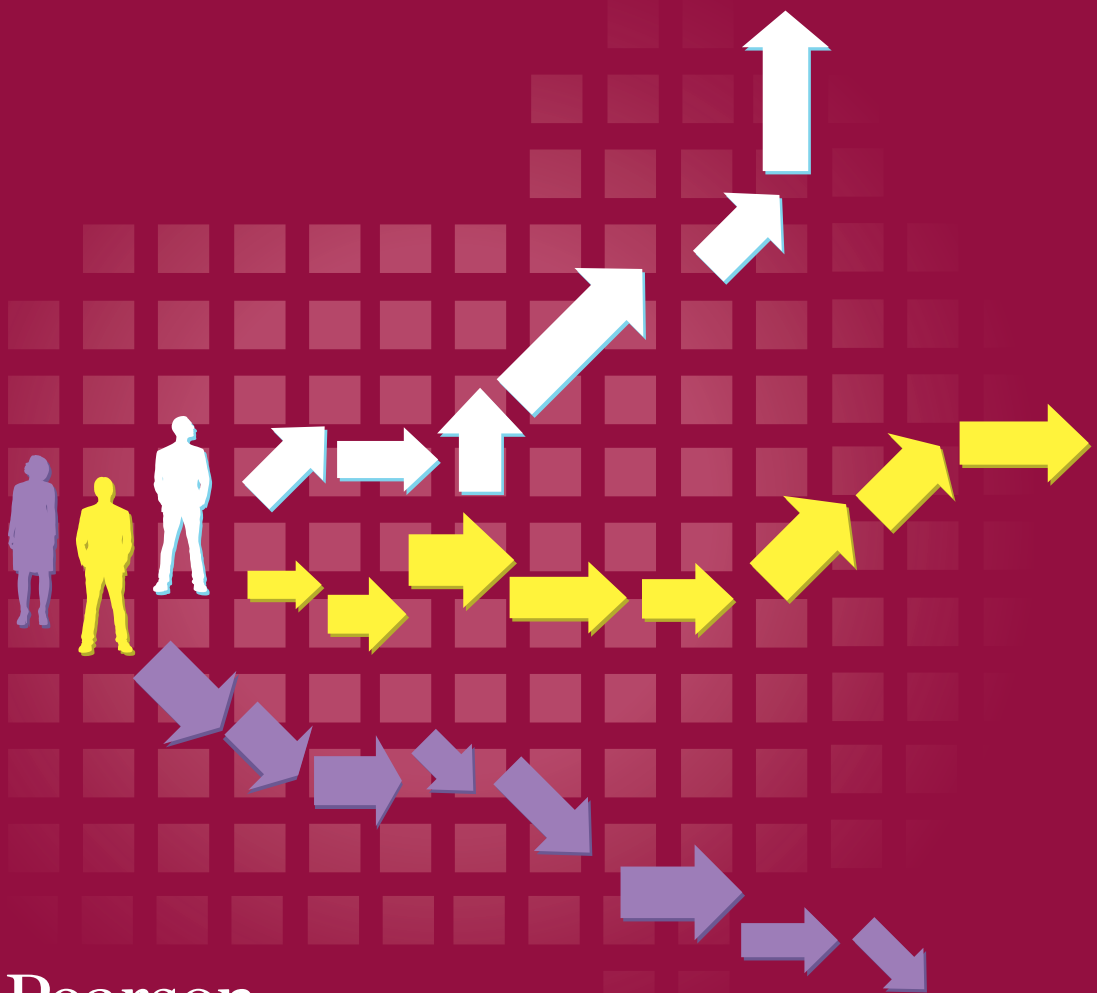# FUNDAMENTALS OF STRATEGY

FIFTH EDITION

Richard Whittington • Patrick Regnér • Duncan Angwin

Gerry Johnson • Kevan Scholes

About *Fundamentals of Strategy*

Based on the twelfth edition of the market-leading *Exploring Strategy*, this book concentrates on the fundamental issues and techniques of strategy. The book will particularly suit those on short courses in strategy focused on strategy analysis, or studying strategy as part of a wider degree, perhaps in the sciences or engineering. This fifth edition of *Fundamentals of Strategy* reflects contemporary business issues and is updated to reflect the covid-19 pandemic. Concepts that are particularly relevant given the recent crisis include PESTEL and scenario analysis (Chapter 2), dynamic capabilities (Chapter 4), stakeholders and corporate social responsibility (Chapter 5) and strategic change (Chapter 9).

Readers of *Fundamentals of Strategy* can be sure that they have the core concepts of strategy in this book, while knowing that they can easily go deeper into particular topics by referring to the complete twelfth edition of *Exploring Strategy*. There they will find extended treatments of the issues covered here, as well as greater attention to issues of strategy development and change and the role of the strategist. *Exploring Strategy* also offers more cases and deeper exploration of issues through 'Thinking Differently' modules, 'strategy lenses' and 'commentaries'. A brief contents of *Exploring Strategy* can be found on p. v. Teachers familiar with *Exploring Strategy* will find that the definitions, concepts and the content of *Fundamentals of Strategy* are entirely consistent, making it easy to teach courses using the different books in parallel.

Fundamentals of Strategy now has nine chapters, with the emphasis on what *Exploring Strategy* terms the 'strategic position' and 'strategic choices' facing organisations. Under 'strategic position', *Fundamentals* introduces macro-environmental and industry analysis, resource and capability analysis, stakeholders and culture. Under 'strategic choices', the book addresses business-level strategy, business models, corporate-level strategy, international strategy, strategic entrepreneurship, innovation and mergers and acquisitions. The final ninth chapter, 'Strategy in action', raises implementation issues such as organisational structure, managerial systems and strategic change.

We believe that *Fundamentals of Strategy* brings the proven benefits of *Exploring Strategy* to the growing number of students on shorter courses. We hope that you will enjoy using it too.

A guide to getting the most from all the features and learning materials of *Fundamentals of Strategy* follows this preface.

Richard Whittington
Patrick Regnér
Duncan Angwin
Gerry Johnson
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April 2020

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FUNDAMENTALS OF STRATEGY

FIFTH EDITION

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Brief contents

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Getting the most from *Fundamentals of Strategy*

Fundamentals of Strategy builds on the established strengths of *Exploring Strategy,* proven over twelve best-selling editions. A range of in-text features and supplementary resources have been developed to enable you and your students to gain maximum added value to the teaching and learning of strategy.

- **Outstanding pedagogical features.** Each chapter has clear learning outcomes, definitions of key concepts in the appendix, practical questions associated with real-life Illustrations, and concise end-of-chapter case examples through which students can easily apply what they have learned.

- **Up-to-date materials.** *Fundamentals of Strategy* is based on the latest twelfth edition of *Exploring Strategy*. Our references are up to date, so that you can easily access the latest research. Cases and examples are fresh and engage with student interests and day-to-day experience. We refer to the challenges raised by the covid-19 crisis.

- **Range of examples.** This edition maintains the wide range of examples used in the text, Illustrations and cases. We draw from all over the world, with no bias to North America, and use examples from the public and voluntary sectors as well as the private.

  Fundamentals of Strategy does not include any longer cases. If you wish to supplement the book with any of the case studies included in *Exploring Strategy*, please consult your local Pearson Education representative to find out what their Custom Publishing programme can do for you.

- **Attractive text layout and design.** We make careful use of colour and photography to improve clarity and ease of 'navigation' through the text. Reading the text should be an enjoyable and straightforward process.

- **Resources for students**
  - A dynamic eText
  - Self-assessment questions
  - Key concept audio summaries
  - Video cases and author videos
  - Revision flashcards
  - A multi-lingual glossary
  - Links to relevant websites
  - Classic cases
  - The Strategy Experience Simulation

Resources for lecturers
- Instructor's manual
- Powerpoint slides
- A testbank of assessment questions

- **Video resources** are available on line. These have been specially created for in-class use and contains briefings on key concepts by the authors, and material to support video assignments identified at the end of each chapter of *Fundamentals of Strategy*.

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- **Teachers' workshop.** We run an annual workshop to facilitate discussion of key challenges and solutions in the teaching of strategic management. Details of forthcoming workshops can be found at **www.pearsoned.co.uk/strategyworkshop**.

- **Complementary textbook.** *Exploring Strategy* provides deeper and more extensive coverage of the theory and practice of strategy. A brief table of contents from the twelfth edition is listed below:

Part I
The strategic position   31

Fundamentals of Strategy Online

A wide range of supporting resources are available at: http://go.pearson.com/uk/he/resources

Register to create your own personal account using the access code supplied with your copy of the book,* and access the following teaching and learning resources:

Resources for students

- **A dynamic eText** of the book that you can search, bookmark, annotate and highlight as you please
- **Self-assessment questions** that identify your strengths before recommending a personalised study plan that points you to the resources which can help you achieve a better grade
- **Key concept audio summaries** that you can download or listen to online
- **Author videos** explaining key concepts in the book
- **Video cases** that show managers talking about strategic issues in their own organisations
- **Revision flashcards** to help you prepare for your exams
- **A multi-lingual online glossary** to help explain key concepts
- Guidance on **how to analyse a case study**
- **Links** to relevant sites on the web so you can explore more about the organisations featured in the case studies
- **Classic cases** – over 30 case studies from previous editions of the book
- **The Strategy Experience Simulation** gives you hands-on experience of strategic analysis and putting strategy into action

Resources for instructors

- **Instructor's manual**, including extensive teaching notes for cases and suggested teaching plans
- **PowerPoint slides**, containing key information and figures from the book
- Support for **The Strategy Experience Simulation** with guidance on the aims and objectives of the simulation, and instructions on how to set up simulation groups that enable you to monitor your students' performance

For more information, please contact your local Pearson Education sales representative.

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*If you don't have an access code, you can still access the resources by purchasing access online. A sample selection of these resources is also available at **http://go.pearson.com/uk/he/resources**

Chapter 1
Introducing strategy

Key terms

Learning outcomes

After reading this chapter, you should be able to:

- Summarise the strategy of an organisation in a '*strategy statement*'.
- Distinguish between *corporate, business* and *functional* strategies.
- Identify key issues for an organisation's strategy using the *Exploring Strategy* Framework.

1.1 Introduction

The Chief Executive Officer (CEO) of a medium-sized family business knew they had a problem. New aggressive competition in their main European markets was threatening their performance just as demand was softening. To help him address this major problem the CEO invited in a consultancy firm to assess whether this was the right time for his business to find new international markets for growth or to invest more in product innovation to stimulate demand. Claudia, the junior consultant in the team, heard the consulting partner explain how they would carry out a systematic analysis of the company's situation to understand its success, assess the challenges posed by the competition and shifting markets and identify broader opportunities and threats from the wider environment. It would be her task to assemble key data and conduct analysis to generate future possible options for the business. These would help inform the CEO's decision about how his business could improve its competitive position. The consulting firm would assist with implementation if needed.

The problem presented by the CEO to the consultants is one of strategy. It is concerned with key issues for the future of the organisation. For instance, how should the company compete in the future with aggressive new entrants? What growth options are there for the company? If further internationalisation is a good strategy, what would be the optimal method to achieve this outcome and what might be the resourcing implications? All of these strategy questions are vital to the future survival of the organisation.

Strategy questions naturally concern entrepreneurs and senior managers at the top of their organisations. But these questions matter more widely. Outside of the organisation, stakeholders such as investors, suppliers and customers influence the strategy. Inside the organisation, middle managers also have to understand the strategic direction, both to know how to get top management support for their initiatives and to explain it to the people they are responsible for. Anybody looking for a management-track job needs to be ready to discuss strategy with their potential employer. Indeed, anybody taking a job should first be confident that their new employer's strategy is actually viable. There are even specialist career opportunities in strategy, for example like Claudia, as a strategy consultant or as an in-house strategic planner, often key roles for fast-track young managers.

This book is relevant to any kind of organisation responsible for its own direction into the future. Thus the book refers to large private sector multinationals and small entrepreneurial start-ups; to family businesses, both large and small; to public-sector organisations such as schools and hospitals; and to not-for-profits such as charities or sports clubs. Strategy matters to almost all organisations, and to everybody working in them.

1.2 What is strategy?[1]

Strategy **is the long-term direction of an organisation.** Thus the long-term direction of Amazon is from book retailing to internet services in general. This section examines the practical implication of this definition of strategy; distinguishes between different levels of strategy; and explains how to summarise an organisation's strategy in a 'strategy statement'.

1.2.1 Defining strategy

Defining strategy as the long-term direction of an organisation implies a more comprehensive view than some influential definitions. Figure 1.1 shows the strategy definitions of several leading strategy theorists: Alfred Chandler and Michael Porter, both from the Harvard

Figure 1.1 Definitions of strategy

'. . . the determination of the long-run goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals'
Alfred D. Chandler

'Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value'
Michael Porter

'a firm's theory about how to gain competitive advantages'
Peter Drucker

'a pattern in a stream of decisions'
Henry Mintzberg

'the long-term direction of an organisation'
Exploring Strategy

Sources: A.D. Chandler, *Strategy and Structure: Chapters in the History of American Enterprise*, MIT Press, 1963, p. 13; M.E. Porter, 'What is strategy?', *Harvard Business Review*, November–December 1996, p. 60; P.F. Drucker, 'The theory of business', *Harvard Business Review*, September–October 1994, pp. 95–106; H. Mintzberg, *Tracking Strategies: Towards a General Theory*, Oxford University Press, 2007, p. 3.

Business School, Peter Drucker from Claremont University, California and Henry Mintzberg, from McGill University, Canada. Each points to important elements of strategy. Chandler emphasises a logical flow from the determination of goals and objectives to the allocation of resources. Porter focuses on deliberate choices, difference and competition. Drucker suggests that it is a theory about how a firm will win.[2] Mintzberg, however, takes the view that strategy is less certain and uses the word 'pattern' to allow for the fact that strategies do not always follow a deliberately chosen and logical plan, but can emerge in more ad hoc ways. Sometimes strategies reflect a series of incremental decisions that only cohere into a recognisable pattern – or 'strategy' – after some time.

There are two advantages to our opening definition of strategy. First, the long-term direction of an organisation can include both deliberate, logical strategy and more incremental, emergent patterns of strategy. Second, long-term direction can include both strategies that emphasise difference and competition, and strategies that recognise the roles of cooperation and even imitation.

The three elements of this strategy definition – the long term, direction and organisation – can each be explored further. The strategy of Tesla Motors illustrates important points (see Illustration 1.1):

• *The long term.* Strategies are typically measured over years, for some organisations a decade or more. The importance of a long-term perspective on strategy is emphasised by the 'three horizons' framework shown in Figure 1.2. **The three-horizons framework suggests organisations should think of their businesses or activities in terms of different 'horizons', defined by time.** *Horizon 1* businesses are basically the current core activities. In the case of Tesla Motors, Horizon 1 includes the original Tesla Roadster car and subsequent models. Horizon 1 businesses need defending and extending but the expectation is that in the long term they risk becoming flat or declining in terms of profits (or whatever else the organisation values). *Horizon 2* businesses are emerging activities that should provide new future sources of profit. For Tesla, that might include the new mega-battery business. Finally, there are *Horizon 3* possibilities, which are more open and for which outcomes are even more uncertain. These are typically risky research and development projects, start-up ventures, test-market pilots or similar: at Tesla, these might

Illustration 1.1 Tesla Motors: the future is electric!

Are there enough Teslas in the world?

Source: Jim West/Alamy Stock Photo

The Tesla Roadster is a staggeringly quick car with a difference. There's no wheel-spin, no traction control stutter, no driveline shutter. Stamp on the throttle and the driver gets 686 lbs of torque immediately, rocketing the car from 0–60 mph in 3.2 seconds and with negligible noise – the car is electric.

The Tesla Roadster is the main product of Tesla Motors. Its charismatic chairman and main funder is PayPal cofounder, and SpaceX CEO, Elon Musk. Barely a decade old, Tesla Motors is already gigantic, $52bn market capitalisation, and adored. It's been called 'the world's most important automotive company' and the Tesla's Model S, 'the Most Loved Vehicle in America' – out-selling Mercedes S-class and BMW 7 series. And yet the last successful American car start-up was Ford, founded 111 years ago. How can Tesla Motors be so successful?

Tesla is the brain-child of three Silicon Valley engineers convinced by global warming arguments and looking for alternative fuel sources for cars. Co-founder Eberhard asked: 'How much of the energy that comes out of the ground makes your car go a mile?'[1] He observed 'hydrogen fuel cells are terrible – no more efficient than gas. Electric cars were superior to everything.'[1] He then discovered a bright yellow all-electric two-seater bullet car with zero emissions, 'tzero', built by AC propulsion. Inspired, Eberhard kept saying to potential recruits – 'try and touch the dashboard.'[1] He would then hit the accelerator – they couldn't! With Lamborghini-level acceleration, this demonstrated electric cars didn't have to be golf carts.

At the time industry logic said electric cars would never succeed, as GM had spent $1bn trying to develop one that was then scrapped and battery technology had not improved in a hundred years. However Eberhard realised lithium-ion batteries were different – improving 7 per cent per annum. So Tesla was positioned to ride the current of technological history.

The founders had no experience making cars, but realised car companies now outsourced everything, even styling. Manufacturing partners were ready to be connected; a 'fab-less' car company was possible.* Production began in 2008. The business plan described the Roadster as 'disruptive' technology** – a high-end sports car with lower price and emissions than competitors – and a lower resource cost to the planet.

> ## Model S
>
> 0–60 mph < 2.5 seconds; 100mpg; world-class handling; Zero tailpipe emissions; +300 mile range; zero maintenance for 100,00 miles (other than tyres); 50 per cent price of the cheapest competitive sportscar.[1]

Tesla's strategy is 'to succeed in the high end of the market, where customers will pay a premium for a sports car without compromise, and then drive down market rapidly to higher unit volume and lower prices with each successive model. All free cash flow is ploughed back into R&D to drive down costs and bring follow-on products to market as fast as possible. Roadster customers are actually paying for development of the low-cost family car.'[2]

Tesla aims to provide zero emission electric power generation from their 'giga' battery factory in line with their overarching purpose to move from mine-and-burn hydrocarbons towards a sustainable solar electric economy.[2] Tesla Energy now sells batteries for home and business use and aims to offer an energy system for the world.

However, things continue to be problematic as Tesla battles Model 3 production and distribution difficulties and will need to make further large capital investments. Despite axing 7 per cent of its workforce in January 2019,[3] improving production output and price reductions to counter a federal tax credit cut, Elon Musk's previous outbursts, dismissing analysts' 'boring bonehead questions', an aborted attempt to take the company private and worries that his other business interests are distracting him, are causing analysts such as Goldman Sachs to predict that Tesla shares will fall 30 per cent in months with the rise of luxury marque competitor products. But when your mission is to save the earth, maybe Elon Musk's outspokenness is not surprising.[4]

Notes
* A car company without a factory.
** A phrase from Harvard professor Clayton Christensen.

Sources: (1) E. Musk, 'The Secret Tesla Motors Master Plan (just between you and me)', 2 August 2006; (2) D. Baer, 'The making of Tesla: invention, betrayal, and the birth of the Roadster', *Business Insider*, 11 November 2014; (3) Sainato, 'How do they expect to run without us', theguardian.com, 30 January 2019; (4) R. Water and P. Campbell, 'Tesla: Reality begins to collide with the Elon Musk's vision', *Financial Times,* 15 June 2018.

Questions

1 How does Tesla Motor's strategy fit with the various strategy definitions in Figure 1.1?

2 What seems to account for Tesla's success and current difficulties?

Figure 1.2 Three horizons for strategy
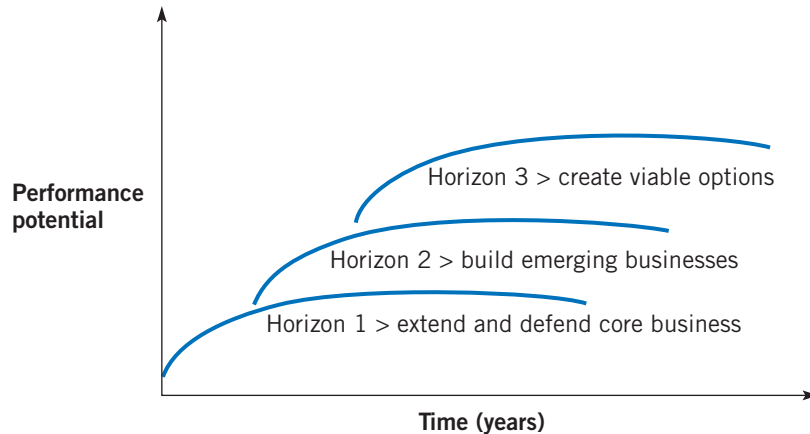
Source: Adapted from M. Baghai, S. Coley and D. White, *The Alchemy of Growth*, Texere Publishers, 2000. Figure 1.1, p. 5.

be further solar electric initiatives, rockets and space transportation. For a fast-moving organisation like Tesla, *Horizon 3* might generate profits a few years from the present time. In a pharmaceutical company, where the R&D and regulatory processes for a new drug take many years, *Horizon 3* might be a decade ahead. While timescales might differ, as industries and types of firm can move at different rates, the basic point about the 'three horizons' framework is that managers need to avoid focusing on the short-term issues of their existing activities. Strategy involves pushing out Horizon 1 as far as possible, at the same time as looking to Horizons 2 and 3.

- *Strategic direction.* Over the years, strategies follow some kind of long-term direction or trajectory. The strategic direction of Tesla Motors is from the original electric car to a diversified set of solar power offerings. Sometimes a strategic direction only emerges as a coherent pattern over time. Typically, however, managers and entrepreneurs try to set the direction of their strategy according to long-term *objectives.* In private-sector businesses, the objective guiding strategic direction is usually maximising profits for shareholders. However, profits do not always set strategic direction. First, public-sector and charity organisations may set their strategic direction according to other objectives: for example, a sports club's objective may be to move up from one league to a higher one. Second, even in the private sector profit is not always the sole criterion for strategy. Thus family businesses may sometimes sacrifice the maximisation of profits for family objectives, for example passing down the management of the business to the next generation. The objectives behind strategic direction always need close scrutiny.

- *Organisation.* Organisations typically have many internal and external *stakeholders*, in other words, people and groups that depend on the organisation and upon which the organisation itself depends. Internally, organisations are filled with people, typically with diverse, competing and more or less reasonable views of what should be done. At Tesla, co-founder and original CEO Eberhard was fired by new Chairman Elon Musk. In strategy, therefore, it is always important to look *inside* organisations and to consider the people involved and their different interests and views. Externally, organisations are surrounded by important relationships, for example with suppliers, customers, alliance partners, regulators and investors. For Tesla, relationships with investors and advertisers are crucial. Strategy, therefore, is also vitally concerned with an organisation's external *boundaries*: in other words, questions about what to include within the organisation and how to manage important relationships with what is kept outside.

1.2.2 The purpose of strategy: mission, vision, values and objectives

What is a strategy for? The core of a strategist's job[3] is defining and expressing a clear and motivating purpose for the organisation. Even for private-sector organisations this is generally more than simple profit-maximisation as long-term prosperity and employee motivation usually require expressions of purpose that go beyond just profits. The stated purpose of the organisation should address two related questions: *how* does the organisation make a difference; and *for whom* does the organisation make that difference? If the stakeholders of an organisation can relate to such a purpose it can be highly motivating. Indeed, research by Jim Collins and Jerry Porras suggests that the long-run success of many US corporations – such as Disney, General Electric or 3M – can be attributed (at least in part) to the clear guidance and motivation offered by such statements of purpose.[4]

There are four ways in which organisations typically define their purpose:

- A mission statement **aims to provide employees and stakeholders with clarity about what the organisation is fundamentally there to do.** This is often expressed in the apparently simple but challenging question: 'What business are we in?' Two linked questions that can clarify an organisation's 'business' are: 'What would be lost if the organisation did not exist?'; and 'How do we make a difference?' Though they do not use the term 'mission statement', Collins and Porras[5] suggest that understanding the fundamental mission can be done by starting with a descriptive statement of what the organisation actually does, then repeatedly delving deeper into the organisation's purpose by asking 'why do we do this?' They use the example of managers in a gravel and asphalt company arriving at the conclusion that its mission is to make people's lives better by improving the quality of built structures. At the University of Utrecht the mission includes educating students, training the next generation of researchers and addressing social issues.

- A vision statement **is concerned with the future the organisation seeks to create.** The vision typically expresses an aspiration that will enthuse, gain commitment and stretch performance. So here the question is: 'What do we want to achieve?' Porras and Collins suggest managers can identify this by asking: 'If we were sitting here in twenty years what do we want to have created or achieved?' They cite the example of Henry Ford's original vision in the very early days of automobile production that the ownership of a car should be within the reach of everyone. For the Swedish music site Spotify, the vision is to become 'the Operating System of music', a universal platform for listening just as Microsoft is for office software.

- Statements of corporate values **communicate the underlying and enduring core 'principles' that guide an organisation's strategy and define the way that the organisation should operate.** For example, Alphabet (previously Google), famously includes in its values 'you can be serious without a suit', 'fast is better than slow' and 'don't be evil'. It is important that these values are enduring, so a question to ask is: 'Would these values change with circumstances?' And if the answer is 'yes' then they are not 'core' and not 'enduring'. An example is the importance of leading-edge research in some universities. Whatever the constraints on funding, such universities hold to the enduring centrality of research. On the other hand, as Alphabet has grown and diversified, some critics wonder whether the company still abides by its principle of 'don't be evil'.

- **Objectives are statements of specific outcomes that are to be achieved.** These are often expressed in precise financial terms, for instance the level of sales, profits or share valuation in one, two or three years' time.[6] Organisations may also have quantifiable market-based objectives, such as market share, customer service, repeat business and so on. Sometimes objectives focus on the basis of competitive advantage: for example, low-cost airlines such as Ryanair set objectives on turnaround time for their aircraft because this is at the core of their distinctive low-cost advantage. Increasingly organisations are also setting objectives referred to as 'the triple bottom line', by which is meant not only economic objectives such as those above, but also environmental and social objectives to do with their corporate responsibility to wider society (see Section 5.4).

Although visions, missions and values may be liable to become bland and too wide-ranging,[7] they can offer more enduring sources of direction and motivation than the concrete nature of objectives. It is therefore crucial that vision, mission and values are meaningful when included in strategy statements.

1.2.3 Strategy statements

David Collis and Michael Rukstad[8] at the Harvard Business School argue that all entrepreneurs and managers should be able to summarise their organisation's strategy with a 'strategy statement'. **Strategy statements should have three main themes: the fundamental *goals* (mission, vision or objectives) that the organisation seeks; the *scope* or domain of the organisation's activities; and the particular *advantages* or capabilities it has to deliver all of these.**

Mission, vision and objectives have been described above in Section 1.2.2 so here we concentrate on the other two main themes, scope and advantage, with examples of all three given in Illustration 1.2:

- *Scope.* An organisation's scope or domain refers to three dimensions: customers or clients; geographical location; and extent of internal activities ('vertical integration'). For a university, scope questions are twofold: first, which academic departments to have (a business school, an engineering department and so on); second, which activities to do internally themselves (vertically integrate) and which to externalise to subcontractors (for example, whether to manage campus restaurants in-house or to subcontract them).

- *Advantage.* This part of a strategy statement describes how the organisation will achieve the objectives it has set for itself in its chosen domain. In competitive environments, this refers to the *competitive* advantage: for example, how a particular company or sports club will achieve goals in the face of competition from other companies or clubs. The organisation needs to be better than others at achieving its particular goal. In the public sector, advantage might refer simply to the organisation's capability in general. But even public-sector organisations frequently need to show that their capabilities are not only adequate, but superior to other rival departments or perhaps to private-sector contractors.

Collis and Rukstad suggest that strategy statements covering goals, scope and advantage should be no more than 35 words long. *The three themes are deliberately made highly concise.* Brevity keeps such statements focused on the essentials and makes them easy to remember and communicate. Thus for Tesla, a strategy statement might be: 'To accelerate the advent of

Illustration 1.2 Strategy statements

Both Samsung Electronics, the Korean telecommunications, computing and TV giant, and York University, a leading British university, publish a good deal about their strategies.

Samsung Electronics

At Samsung, we follow a simple business philosophy: to devote our talent and technology to creating superior products and services that contribute to a better global society.

Every day, our people bring this philosophy to life. Our leaders search for the brightest talent from around the world, and give them the resources they need to be the best at what they do. The result is that all of our products – from memory chips that help businesses store vital knowledge to mobile phones that connect people across continents – have the power to enrich lives. And that's what making a better global society is all about.

According to Samsung's new motto it intends to give the world inspiration to create the future of electronics. This new vision reflects Samsung Electronics' commitment to inspiring its communities by leveraging Samsung's three key strengths: 'New Technology', 'Innovative Products', and 'Creative Solutions'. As part of this vision, Samsung has mapped out a specific plan of reaching $400bn in revenue and becoming one of the world's top five brands by 2020. To this end, Samsung has also established three strategic approaches in its management: 'Creativity', 'Partnership', and 'Talent'.

As we build on our previous accomplishments, we look forward to exploring new territories, including health, medicine, and biotechnology. Samsung is committed to being a creative leader in new markets, becoming No. 1 business in the Global IT industry and in the Global top 5.

York University Strategy 2014–2020

York is a University with strong values. In all our activities, we are unconditionally committed to excellence, as measured by the highest national and international standards. We see ourselves as operating in a global environment, with important local and national responsibilities and aim to be among the best universities in the world. We encourage creativity, independence, enterprise and initiative. We support academic freedom and autonomy and we promote open academic debate and discussion. We will be inclusive and provide equal opportunities for all. We apply the highest ethical standards to all our activities and want to make a positive contribution to the development of a fairer and sustainable world.

We aim to provide an environment that attracts the very best staff and students from all over the world, encourages and facilitates academic endeavour, and provides a supportive atmosphere for the development and sharing of knowledge. We want to be a University in which every member of staff and every student feels valued as an individual. Even as we grow, we want to retain a genuine sense of belonging and community in our departments, colleges, clubs and societies. We particularly value our colleges' support for the cultural, social, academic and personal development of our students. We will play an active role in the City of York, which is central to our identity, and are committed to a mutually supportive relationship with the City and the region.

Guided by these values, we aim to build a University that distinguishes itself in three ways:

Key objective 1: to be a world leader in research, by being sufficiently large to be excellent, resilient and financially sustainable.

Key objective 2: to offer outstanding teaching and learning, by being organised in the most efficient and effective way.

Key objective 3: to offer all our students an outstanding and valuable experience, by working effectively with other organisations and stakeholders.

Sources: Edited extracts from www.samsung.com and the University of York Strategy, www.york.ac.uk

Questions

1 Construct short strategy statements covering the goals, scope and advantage of Samsung and the York University. How much do the different private and public sector contexts matter?

2 Construct a strategy statement for your own organisation (university, sports club or employer). What implications might this statement have for your particular course or department?

a sustainable solar economy by developing and incorporating superior battery-based technologies into compelling mass market electric products and bringing them to market as soon as possible.' The IKEA business idea is a little more specific: 'To create a better everyday life for the many people [by offering] a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.' Of course, such strategy statements are not always fulfilled. Circumstances may change in unexpected ways. In the meantime, however, they can provide a useful guide both to managers in their decision-making and to employees and others who need to understand the direction in which the organisation is going. The ability to give a clear strategy statement is a good test of managerial competence in an organisation.

As such, strategy statements are relevant to a wide range of organisations. For example, a small entrepreneurial start-up can use a strategy statement to persuade investors and lenders of its viability. Public-sector organisations need strategy statements not only for themselves, but to reassure clients, funders and regulators that their priorities are the right ones. Voluntary organisations need persuasive strategy statements in order to inspire volunteers and donors. Thus organisations of all kinds frequently publish materials relevant to such strategy statements on their websites or annual reports. Illustration 1.2 provides published materials on the strategies of two very different organisations: the technology giant Samsung from the private sector and York University in the UK from the public sector.

1.2.4 Levels of strategy

So far we have considered an organisation as a whole, but inside an organisation, strategies can exist at three main levels.

- **Corporate-level strategy is concerned with the overall scope of an organisation and how value is added to the constituent businesses of the organisational whole.** Corporate-level strategy issues include geographical scope, diversity of products or services, acquisitions of new businesses, and how resources are allocated between the different elements of the organisation. For Tesla, moving from car manufacture to battery production for homes and businesses is a corporate-level strategy. Being clear about corporate-level strategy is important: determining the range of businesses to include is the basis of other strategic decisions, such as acquisitions and alliances.

- **Business-level strategy is about how the individual businesses should compete in their particular markets** (this is often called 'competitive strategy'). These might be stand-alone businesses, for instance entrepreneurial start-ups, or 'business units' within a larger corporation. Business-level strategy typically concerns issues such as innovation, appropriate scale and response to competitors' moves. For Tesla this means rolling out a lower-cost electric car to build volume and capture market share in advance of potential competitor entry. In the public sector, the equivalent of business-level strategy is decisions about how units (such as individual hospitals or schools) should provide best-value services. Where the businesses are units within a larger organisation, business-level strategies should clearly fit with corporate-level strategy.

- **Functional strategies are concerned with how the components of an organisation deliver effectively the corporate- and business-level strategies in terms of resources, processes and people.** For example, Tesla continues to raise external finance to fund its rapid growth: its functional strategy is partly geared to meeting investment needs. In most businesses, successful business strategies depend to a large extent on decisions that are