

# Ten things you need to know about strategy

Ian Marcousé provides a framework of ten concepts for revision. In this volume we look at aims, objectives, strategy and tactics

## 1 Strategy

Strategy is a medium-to-long-term plan to meet your objectives. It must be fully costed and then monitored to ensure that the objective is met within budget.

**Example:** in 2024, Castore, which began as an online-only sportswear business, opened its first physical store outside of the UK (in the Netherlands). This was to achieve a new goal of becoming the UK's biggest sportswear business.

**Advantage:** all staff can see how the objectives will be met, and their own part in helping to meet them.

**Disadvantage:** a strategy can only work if enough resources are used to support it, such as enough money and enough people of the right calibre and authority.

## 2 Corporate strategy

This is the plan for the company as a whole.

**Example:** in 2024, Waitrose announced that its revamped stores would be 'more beautiful, more colourful, and designed for food lovers' – a strong strategy push away from price/value to differentiation.

**Advantage:** once the company's plan is set, each business function can devise its own plan – co-ordinated with the other functions.

**Disadvantage:** if the corporate strategy is wrong, then the functional plans will help it to be wrong.

## 3 Functional strategy

This is the plan prepared by each function to deliver the corporate strategy. For example, this could be the marketing strategy, human resources strategy, financial strategy or operations strategy.

**Example:** a marketing strategy will plan for the new product launches and the support required for current brands to achieve the corporate revenue targets.

**Advantage:** as long as the business functions talk to each other, they should make the corporate strategy happen.

**Disadvantage:** co-ordination can be hard to achieve. This is especially the case if functional leaders are trying to outshine one another, such as trying to make marketing seem more important than finance.

## 4 Strategy is only as good as the objectives allow

Strategy is the plan, but objectives are the goals. For example, if the objectives are too unambitious, the strategy will fail to stretch staff as they should be stretched.

**Example:** in August 2014, Asda's share of the UK grocery market was 17.2%, but by 2024 it had collapsed to 12.6%. A senior Asda executive spoke of 'returning Asda to its former glory'. This could be seen as unrealistic.

**Advantage:** a strategy is designed to deliver the objectives, so one is only as good as the other.

**Disadvantage:** objectives are often treated as unchangeable by the company directors, so staff may be frustrated if they are working towards unchallenging or unrealistic company objectives.

## 5 Strategy should not centralise

Centralisation means that decisions made at the company's head office are imposed inflexibly on the whole organisation.

**Example:** when McDonald's started its global expansion, the menus were the same everywhere. Later they learned to sell different products to different markets, such as selling beer in France and green tea in Japan and China.

**Advantage:** centralisation gives the customer a consistent experience.

**Disadvantage:** centralisation can fail to tailor products or services to local or minority tastes.

## 6 Strategy should be formulated collaboratively

The strategy will be delivered by the staff. It is sensible, then, to get staff involved in formulating the strategy.

**Example:** in late 2023, Stuart Machin, the new CEO of Marks & Spencer, told all senior staff that they must spend 1 week a year working on the checkouts, talking to customers and shop-floor staff.

**Advantage:** The strategy will incorporate the knowledge of everyone throughout the organisation, not just those in the expensive seats (the board of directors).

**Disadvantage:** involving staff works well when the future is bright, but less so when cutbacks are needed.

## 7 Strategy can be wrong

Within a year of first implementing a strategy it may become clear that the plan is not delivering the objectives – it may be time for a rethink.

**Example:** in 2024, Morrisons supermarkets announced that it would be reversing its strategy of switching to self-checkout at its stores. Customers had been complaining, especially those with full trolleys.

**Advantage:** Quickly reversing mistakes can be as valuable as finding a new opportunity.

**Disadvantage:** in some cases reversing mistakes is very costly. For example, Australian company Wesfarmers bought UK DIY chain Homebase for £340 million in 2016, but 2 years later they sold it for £1 – having lost more than £500 million in the meantime.

## 8 Think global, act local

This phrase first came from Sony, which believed that it needed products with global appeal, such as the PlayStation 5 (PS5), but that these could best be marketed in line with local tastes.

**Example:** in 2021 when the PS5 launched, Sony focused on software that would support sales in the USA and Europe, to fight off competition from Microsoft. Later, realising that the Nintendo Switch was the biggest rival, it focused more on mobile software for the key Japanese market.

**Advantage:** you can benefit from the economies of scale that come with global production.

**Disadvantage:** there may be a risk that you end up with a hybrid: half-global, half-local, that satisfies no-one.

## 9 Strategy needs time

Strategies can take a long time to show their value, such as steady investment in research and development.

**Example:** Volkswagen (VW) started production in China in 1985. It built steadily, becoming the top western car brand by the 1990s. But the market was still too small to make a profit. Today China is the world's top car market (and the most profitable) and VW is the biggest selling overseas brand in China.

**Advantage:** if a company is willing to allow a promising strategy the time it needs, the rewards can be huge.

**Disadvantage:** it can be hard to know whether a strategy is taking a long time, or too long a time. For most western car makers, electric cars look like they may never justify the investment.

## 10 Strategy may not survive a shock

Mike Tyson, a former world heavyweight boxer, once said 'everyone has a plan until they get punched in the mouth'. In other words, a sharp shock makes many firms pull back on their strategies.

**Example:** Toyota, the world's top carmaker, thought it was making good progress in the vast Chinese market. Then local producer BYD came out with a series of brilliant, good-value electric cars. Toyota sales in China fell back sharply in 2023 and 2024. It had not seen the problem until it was possibly too late.

**Advantage:** knowing the 'Tyson' problem makes companies think about contingency plans.

**Disadvantage:** a sudden shock can be very hard to handle – and might kill off a promising new strategy.

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