

Levels of Strategy

by Sophia



WHAT'S COVERED

When you hear the word strategy, what do you think of? Do you think of military strategy or business strategy, or perhaps strategy as it relates to a baseball game? Is strategy different than planning, and if so, how? This tutorial will cover levels of strategy. Our discussion breaks down as follows:

1. [Strategy](#)
2. [Strategy Types](#)
3. [Plans for Issues and Changes](#)

1. Strategy

Strategy at its simplest form is a proposal of action to realize a primary objective. It is your plan of action to achieve the objective that you want to achieve.

Strategy impacts the entire organization and requires input from every level of the organization. You can't simply set a strategy at the top, in a vacuum, without actually talking to the people below you. They may or may not be able to do the thing that you want to do, so it's important that you get that input from the different organizational levels from the very top all the way to the very bottom.



TERM TO KNOW

Strategy

A proposal of action to realize a primary objective.

2. Strategy Types

There are three levels of strategy to consider as a business.

Levels of Strategy	Description
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<p>Corporate Strategy</p>	<p>This is the general manner in which a corporation will coordinate its operations in order to achieve specific goals. This is done at the highest level of the organization, but as you can imagine, it has an impact all the way down the organization to the lowest level. This is because what you're really doing is setting the plan for the entire corporation or organization--that long-term big goal that you want to get to at the end.</p> <p>⇒ EXAMPLE A company's senior management team (e.g., CEO/president level) determines which industries to compete in. Take, for instance, an airline. Should they focus on domestic air travel? International air travel? Both? Perhaps they have decided to focus on domestic air travel. They will then need to determine whether they should serve business or leisure travelers (or both). Further, it may require a decision on whether to play in additional industry segments like rental cars, vacation rentals, and/or air cargo. Any one of these decisions could literally make or break the entire company and must be given careful, deeply reflective, evidence-based consideration.</p>
<p>Business (Competitive) Strategy</p>	<p>Typically, this takes place at the middle level. Once you receive the overarching corporate strategy from the very top, the middle level of the organization is then going to come up with its strategy to meet the goal that the top corporate strategy has set for the corporation. It has an impact all the way down and on the highest levels of the business or organization that fall under the umbrella of this particular business strategy.</p> <p>⇒ EXAMPLE Let's consider the airline example from above, whose senior management decided to focus on domestic air travel. Let's further assume they have decided to focus on domestic leisure travel. At the business strategy level, decisions will need to be made by business unit executives (e.g., vice president level) on such things as frequent flyer rewards programs. What will the company's frequent flyer program look like? How will it work? How does it compare to competitors' frequent flyer programs and is it sufficiently differentiated from their offerings?</p>
<p>Functional Strategy</p>	<p>This takes place at the lowest level of the organization. This is how you function day-to-day to meet those goals that the corporate strategy and business or competitive strategy have set forth. This impacts managers controlling specific functions of the business.</p> <p>⇒ EXAMPLE Revisiting our domestic leisure travel airline, an example of this may be the annual budget allocated to the company's frequent flyer program. Working within these budgetary constraints, functional area middle managers (e.g., director level) will make decisions on such things as software development needed to manage frequent flyer accounts, marketing the frequent flyer program to consumers, and staffing call center and online chat representatives to service frequent flyer customers.</p>



TERM TO KNOW

Corporate Strategy

The general manner in which a corporation will coordinate its operations to achieve specific goals.

3. Plans for Issues and Changes

So, we've talked a bit about strategy for things that we know or things that we want to plan for. However, life is full of unexpected things. What happens in an unexpected event? There are three strategies that relate to this type of situation.

- **Contingency planning** is an organizational plan that is in place for responding to possible events. These are events that could possibly happen, events that are within the realm of reality.

⇒ **EXAMPLE** Contingency planning is in place for events such as a sudden disruption, like a power outage, or a late or lost shipment due to an overturned truck. These types of things are all possible events, and you want to be able to have a plan in place in case they happen.

- **Crisis management** is the procedures an organization has in place to deal with emergency events.

⇒ **EXAMPLE** A tsunami waves hitting a nuclear power plant or a massive earthquake are all big crisis events, and definitely what we call emergencies. It is important to ensure you have plans in place to deal with emergencies or crisis situations.

- **Change management** is the procedures an organization has in place to deal with known and predicted changes in the external or internal environments.

⇒ **EXAMPLE** If you know a particular law is about to get passed by Congress that will affect how you do business, you'll need to change your management organization in order to meet that particular change in the external environment. Or, when people retire in your company, you'll need to change managers. How will that affect the internal environment of your particular organization?

In the world we live in, change happens all the time, externally and internally. Therefore, having a solid change management plan is very important, especially in today's world where technology can usher in change in the blink of an eye. Having a good change management plan can really help a business thrive, survive, and succeed.



TERMS TO KNOW

Contingency Planning

An organizational plan that is in place for responding to possible events

Crisis Management.

The procedures an organization has in place to deal with emergency events.

Change Management

The procedures an organization has in place to deal with known changes in the external or internal environments.



SUMMARY

Today we learned about **strategy**--that organizational plan toward the goal that we want to achieve. We also learned about different **strategy types**, such as corporate strategy, business strategy, and functional strategy, that occur among the different levels of an organization. Lastly, we learned about contingency planning and crisis management planning, which affect how a company is going to react to certain changes.

Good luck!

Source: adapted from sophia instructor james howard



TERMS TO KNOW

Change Management

The procedures an organization has in place to deal with known changes in the external or internal environments.

Contingency Planning

An organizational plan that is in place for responding to possible events.

Corporate Strategy

The general manner in which a corporation will coordinate its operations to achieve specific goals.

Crisis Management

The procedures an organization has in place to deal with emergency events.

Strategy

A proposal of action to realize a primary objective.