Tanzania Investment and Consultant Group Ltd

Business Corporate Strategy

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"We're Intellectuals and Analytical Professional"

"Corporate Strategy in a business is a logical extension in Management preparation and improving decision making for Business development. It's the culmination of a set of planning assumptions that must be applied consistently in the process to ensure consistency among the different representations of the business provided. Given such consistency, the common link among the displays will be the requirement of business and investment identified"

~Amran Bhuzohera~

"Opportunity for Entrepreneurs, Business Leaders and Investors"

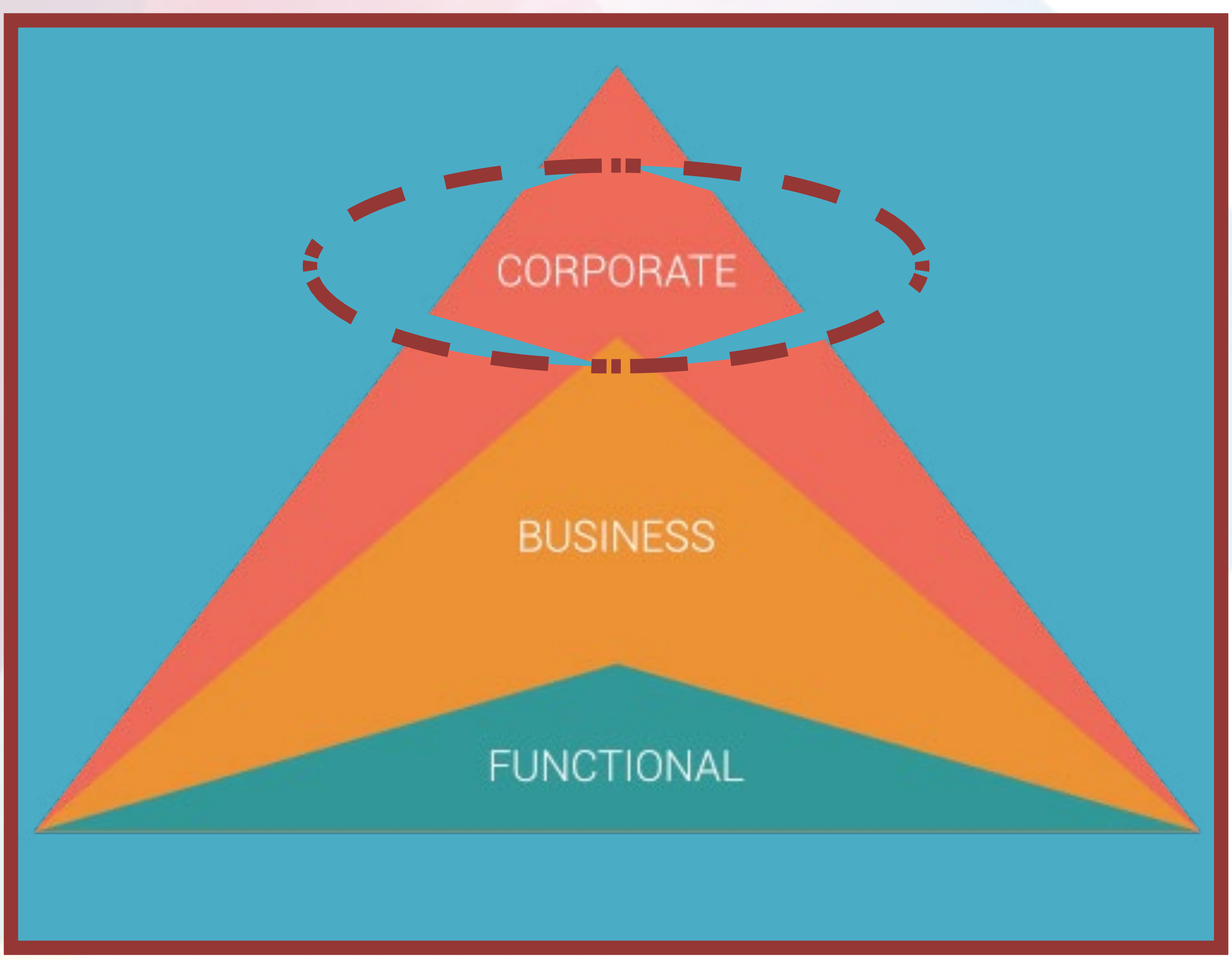
Tanzania Investment and Consultant Group Ltd

Inside

Introduction

Let's talk about strategy levels. Like any business, strategy comes in various shapes and sizes. The strategy for a multi-national company will contrast one from a startup, yet the principles remain. To understand how strategies shift, we'll look at the strategy levels that exist and how an organization can apply them. Ultimately, the biggest take away we hope you get from this post, is that strategy is for everyone. You don't have to wait until your business grows to a certain size to 'get strategic'. You want to be conscious of where you are as a business so you can develop your strategy in a way that it fits and grows with your organization.

We're going to discuss 3 key strategy levels, how they differentiate and provide some context on how to use them:



Corporate Strategy: The Four Key Components

Corporate strategy is arguably the most essential and broad ranging strategy level within organizational strategy. The corporate strategy level concerns itself with the entirety of the organization on a more or less abstract level, where decisions are made with regard to the overall growth and direction of a company. For context, other strategy levels include business strategy and functional strategy - more on those later!

In more concrete terms, the main components of corporate strategy are:

① Visioning
② Objective Setting
③ Allocation of Resources
④ Strategic Trade-offs (Prioritization)

Visioning involves setting the high-level direction of the organization - namely the vision, mission and potentially corporate values.

Objective Setting involves developing the visioning aspects created and turning them into a series of high level (sometimes still rather abstract) objectives for the company, typically spanning 3-5 years in length.

Allocation of resources refers to decisions which concern the most efficient allocation of human and capital resources in the context of stated goals and aims.

Strategic trade-offs are at the core of corporate strategy planning. It's not always possible to take advantage of all feasible opportunities. In addition, business decisions almost always entail a degree of risk. Corporate level decisions need to take these factors into account in arriving at the optimal strategic mix.

What are the three strategy levels?

A complete organizational strategy is divided into three distinct levels, based on the concerns and goals of the three hierarchical elements which make up an organization - at the corporate level, the business level, and the functional level.

As we've already taken a brief look at the corporate strategy level, it's useful to understand the other strategic levels as they pertain to corporate strategy.

The **business strategy level** is the strategic level which mediates the abstract strategic goals which underpin corporate strategy, with the needs and capacities of the business unit level, for organizations with more than one business unit.

The **business strategy level** takes a corporate level strategic goal such as 'increasing market share in a given region or demographic', and turns it into a more fine-grained, practical strategic goal based on business level knowledge and experience.

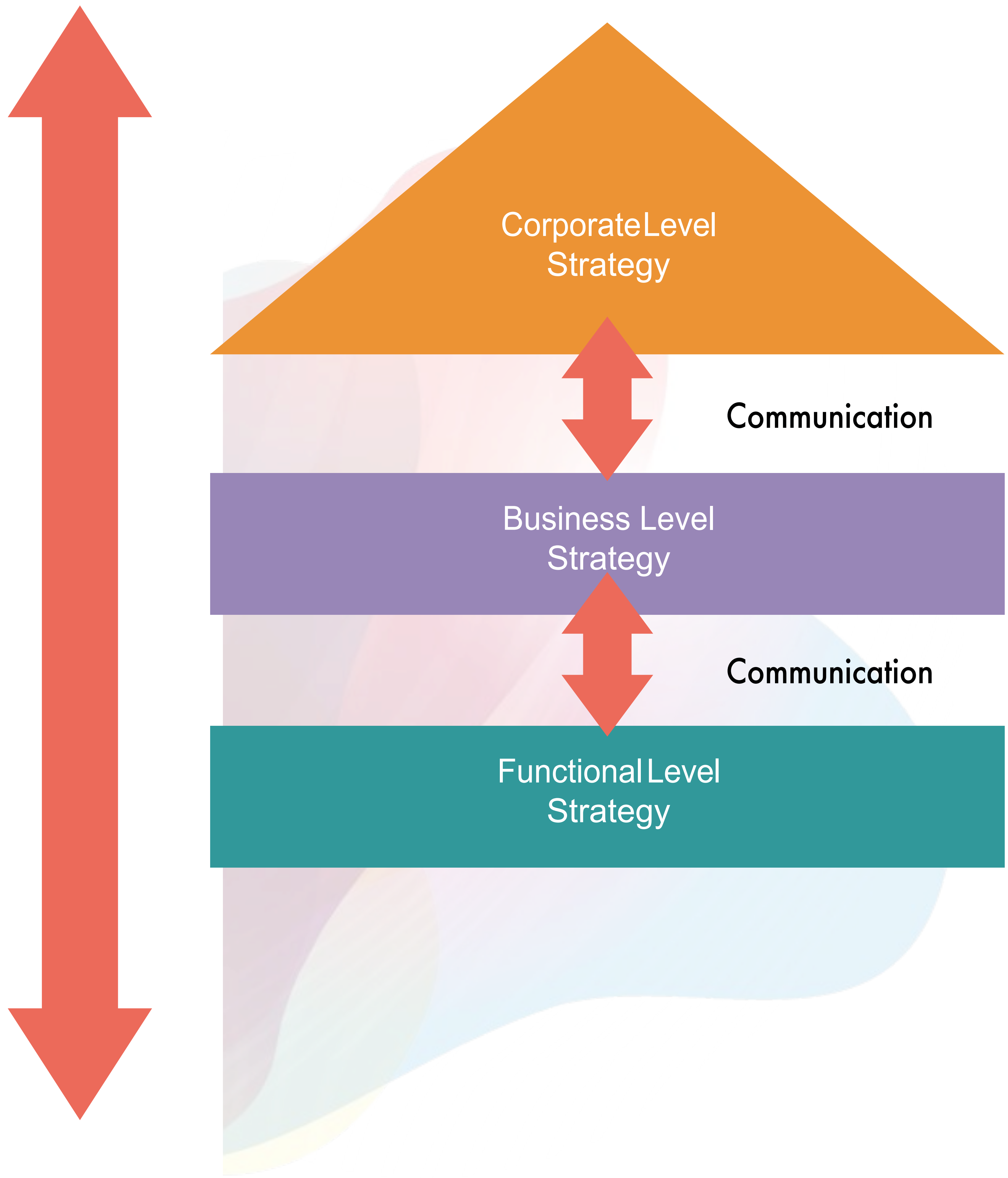
The **functional strategy level** is the most granular level of strategy - the realm of practical decisions and concerns which are less relevant at the business or corporate strategic levels. At the functional level, strategies and goals from the business and corporate level are turned into meaningful, functional results which ultimately determine outcomes for a business.

By way of example, the functional level of a telecom company like Vodafone might be comprised of district or even store managers. At this level of strategic planning, general strategic goals are reduced to concrete strategic measures.

It is important to note that while on a hierarchical level, corporate strategy can be viewed as the topmost level of the corporate planning process, each level of decision making involves two way influence.

Taking the example of a manufacturing business, corporate strategy will necessarily be influenced by functional strategic concerns such as R&D and marketing, which will in turn be impacted by the productive capabilities of the functional strata such as capital and personnel.

Business Strategy Information and Influence Flow



What are the benefits of corporate strategy?

Now that we've taken a look at the elements that comprise corporate strategy, and the manner in which it relates to other strategy levels, you might well be left wondering

"What are the benefits of corporate strategy for **my business?**"

Ultimately, the benefits of well defined corporate strategy for an organization increase as the organization scales. While it may well be possible for a small or even medium sized businesses to get by without investing time in developing corporate strategy. But as the needs of an organization grow and evolve, it becomes increasingly necessary to attack the strategic planning process in a manner which reflects the complexity of that organization.

Corporate strategy offers your business **strategic direction.** Without differentiation between the abstract needs and goals of an organisation which are evident at a corporate strategic level, and the core competencies and resources which business and functional units can utilize to realize these goals, it is difficult to develop and grow a business.

In addition, corporate strategy allows us to **manage change** and **better understand our organizations.** In a dynamic world, organizations need to keep pace with changes as they happen - by continually defining corporate strategy and strategic goals in relation to opportunities or threats as they present themselves, corporate strategy allows us to perform optimally.

Finally, by defining a clear corporate strategy organizations can **improve decision making** and **motivate their employees.** Without clearly defined strategies at a corporate level, business and functional level units will perform sub-optimally. The abstract level of decision making that is only possible at the corporate level will translate to better results at other decision making levels, and help employees to feel that their organisation has a clear direction and purpose.

How is corporate strategy implemented?

Corporate strategy is characterized by its dynamic nature. In response to the needs and the environment of a business, corporate strategy must reflect an optimal approach to these variables.

With this in mind, it is helpful to divide corporate strategy into three possible classifications based on external and internal factors.

Growth strategies are strategies designed to grow a business in a given way. Growth strategies might include entering new markets, increasing or diversifying existing ones, or using forward or backward integration to take advantage of economies of scale.

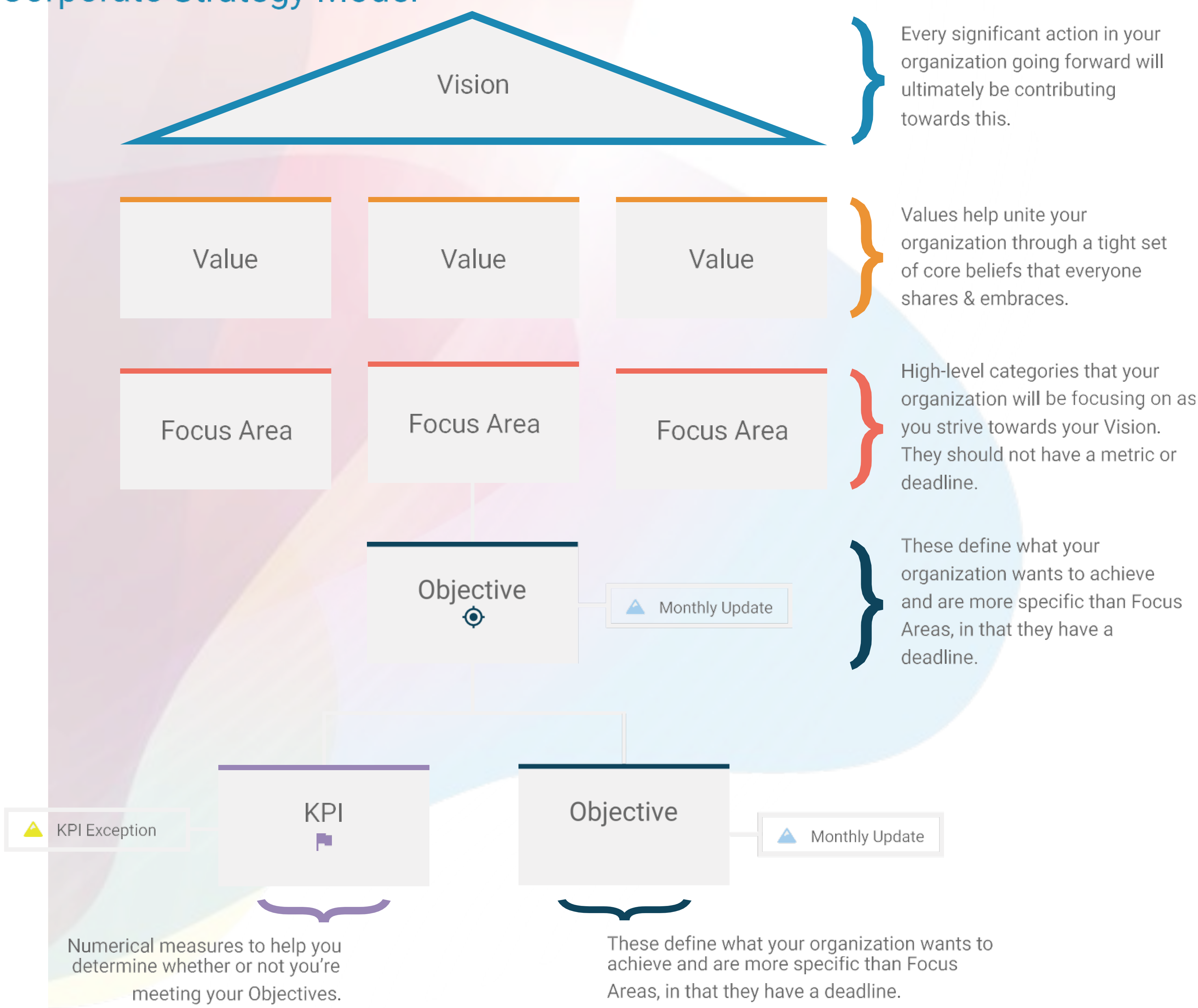
Stability strategies are designed to consolidate an organization's current position, with an eye towards creating a strategic environment which will provide greater flexibility for the future employment of growth or retrenchment strategies. Stability strategies are more conservative strategies, focused on preserving profit, reducing costs and investigating future strategic possibilities.

Retrenchment strategies are a response to unprofitable or damaging elements of a business or organisation. These might include the elimination or sale of unprofitable assets or product lines.

What should my corporate strategy model look like?

There are a number of different models which can be applied to the strategic planning process, each with their own merits. Corporate strategy planning is the topmost level of strategic planning within a business or organisation. As a result, the corporate planning process is the most sophisticated level of strategic planning, and must take into account a huge number of variables.

Corporate Strategy Model



What should my corporate strategy model look like?

DEFINING A VISION

Reducing this complexity is a must. Corporate planning starts with defining an abstract vision or overarching goal, based on the current organization and the environment in which it exists. This vision will provide a point of reference against which goals and strategies can be measured.

DESCRIBE YOUR COMPANY'S VALUES

The vision statement of your organisation is a destination. Company values describe the manner in which you will arrive at this destination. The values that you outline should be clear, concise and above all real. The process of ascertaining and defining your company values is outlined.

CHOOSE FOCUS AREAS

Focus areas can be thought of as the pillars on which corporate planning is based. The abstract ideas represented in your vision statement and company values are here applied to choose areas in which your company can act in order to effect its stated goals.

DEFINING OBJECTIVES

Once a clear vision has been defined and areas of focus selected, corporate strategists must outline definable objectives which will represent a more concrete and specific example of what you want to achieve, with stated deadlines and objectives. For a more in depth explanation of the process of defining specific objectives.

Note that you might have several different levels of objectives aligned to each other at your corporate strategy level.

What should my corporate strategy model look like?

WRITE KPIs

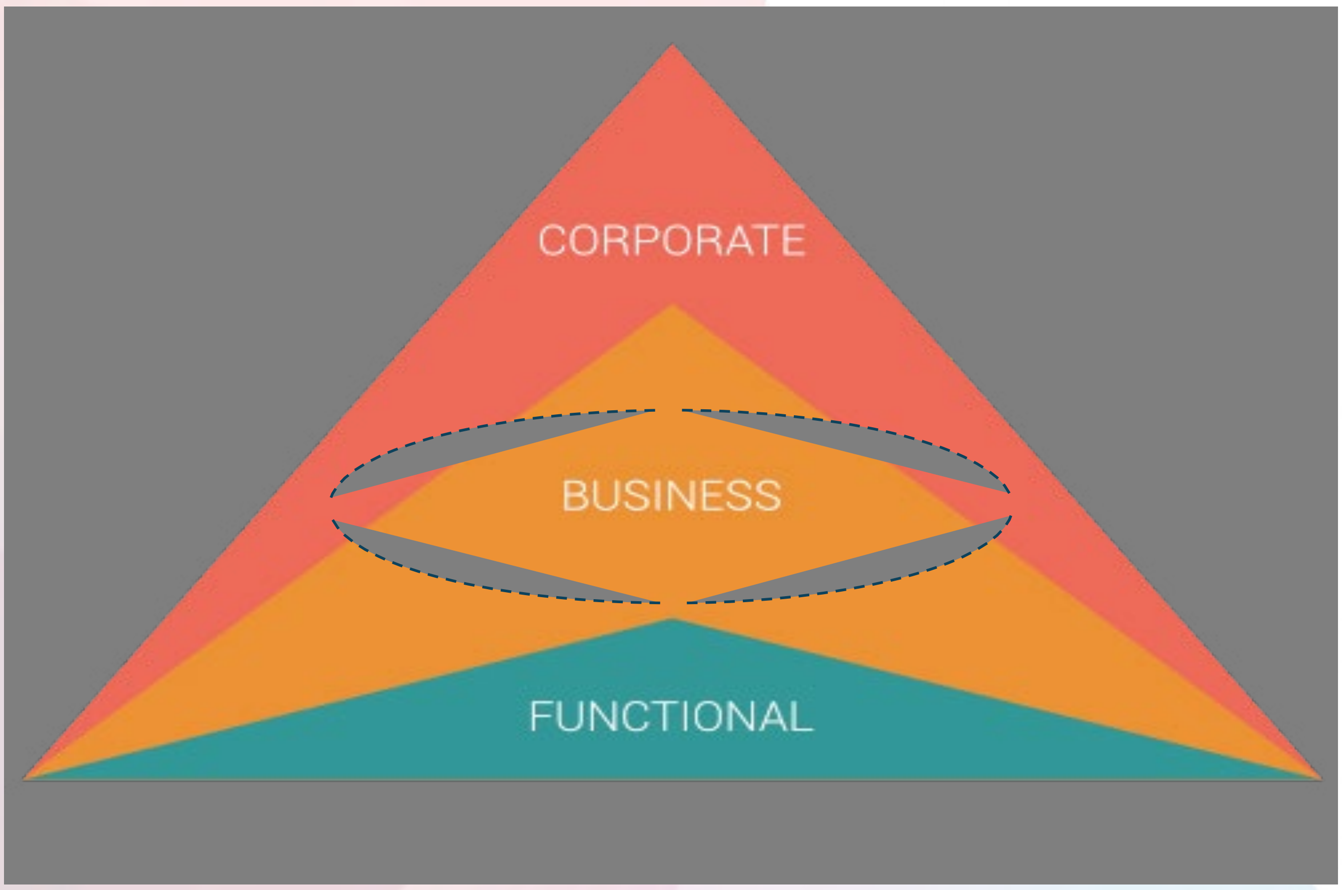
The corporate planning process ends with the definition of KPIs which will allow corporate strategists to understand and adjust strategy based on results.

Corporate strategy provides your company with the essential conceptual tools required to succeed in competitive markets. Taking the time to understand corporate strategy, as well as organizational strategy as a whole, will quickly yield benefits that are quantifiable, as well as offering insights into the operation of your organization as a whole.

Note: We've deliberately omitted 'Projects' from our corporate strategy model. This is because projects should not generally exist in a corporate strategy. Instead, projects would commence at either the business level or the functional level of your strategy.

What is Business Level

Business level strategy is concerned with the strategic planning and execution of initiatives for business units. Business strategy is considered the 'middle' level in the overall strategy hierarchy.



Thinking in terms of strategy levels is a useful way of dividing up strategy in a meaningful way, allowing you to distinguish between the various parties and responsibilities involved in both the formulation and execution of the strategy. In this post, I walk through the components of strategy at a business level and how to actually write a strategic plan for your business unit and cascade that strategy to a functional strategy level.

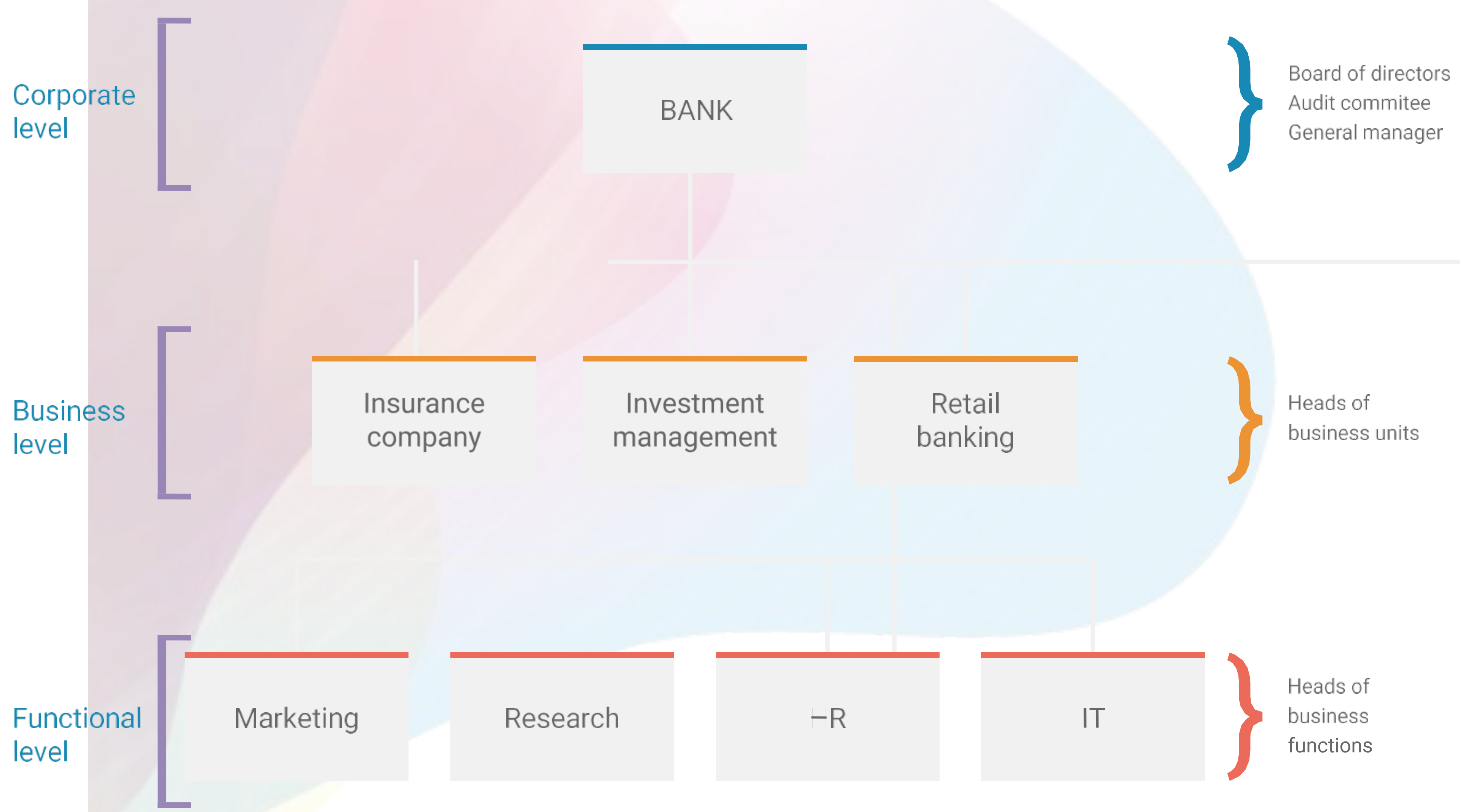
In short, business level strategy describes opportunities to provide value to customers and gain competitive advantage in individual business areas. This is in contrast to corporate level strategies which might look at multiple markets and broader concepts that apply to the entire organization.

As a result, organizations with only one distinct business unit will often combine business strategy with corporate strategy as a single strategy level.

Corporate Strategy vs Strategy

There seems to be a lot of confusion surrounding the difference between corporate strategy and business strategy, so I wanted to clarify it once and for all. While corporate level strategy is concerned primarily with defining the strategic direction of the entire organization - business level strategy is distinguished by an emphasis on market navigation for a specific business unit. Business level strategies are (as the name suggests) strategies which concern a single business unit. Check out the example below of a Bank and how they would use strategy levels in their organization.

Strategy Levels: Bank Example



Business Strategy

In order to better understand how business level strategy differs from other strategy levels, it is useful to look at some examples of business level strategy as it is applied 'on the ground'. In very general terms, we can distinguish five strategies that organizations can utilize at a business level to foster competitive advantage.

COST LEADERSHIP

Offering a product at a lower price than competitors is the most straightforward way in which businesses compete for customers. Business units can reduce costs by a number of means

- building better facilities, investing in tooling or reducing the cost of overheads, minimizing costs of R&D, POS and so forth.

DIFFERENTIATION

Rather than focusing on lowering costs and passing those reduced costs onto customers, differentiation strategies emphasize the development and marketing of products in a manner which provides greater value to customers. In the laptop market, Apple has invested heavily in R&D, customer service and marketing, successfully carving a niche which allows Apple to charge substantially more than other manufacturers without compromising market share. If you're looking at pursuing a differentiation strategy ***TICGL Firm*** will help to formulate a great framework to use.

FOCUSED LOW COST

In addition to reducing cost, businesses may choose to further focus their efforts by targeting only one subset of the market. For example, a tool manufacturer choosing to focus only on the professional tradesperson market.

Business Strategy

FOCUSED DIFFERENTIATION

In much the same way, businesses may choose to differentiate themselves from their competitors while simultaneously focusing their efforts on a smaller subset of their customer base. While it may seem counter intuitive, focused strategies can be highly effective - with a smaller, better understood customer base, businesses are able to more accurately anticipate their customers' needs - making the process of creating value significantly easier in some cases.

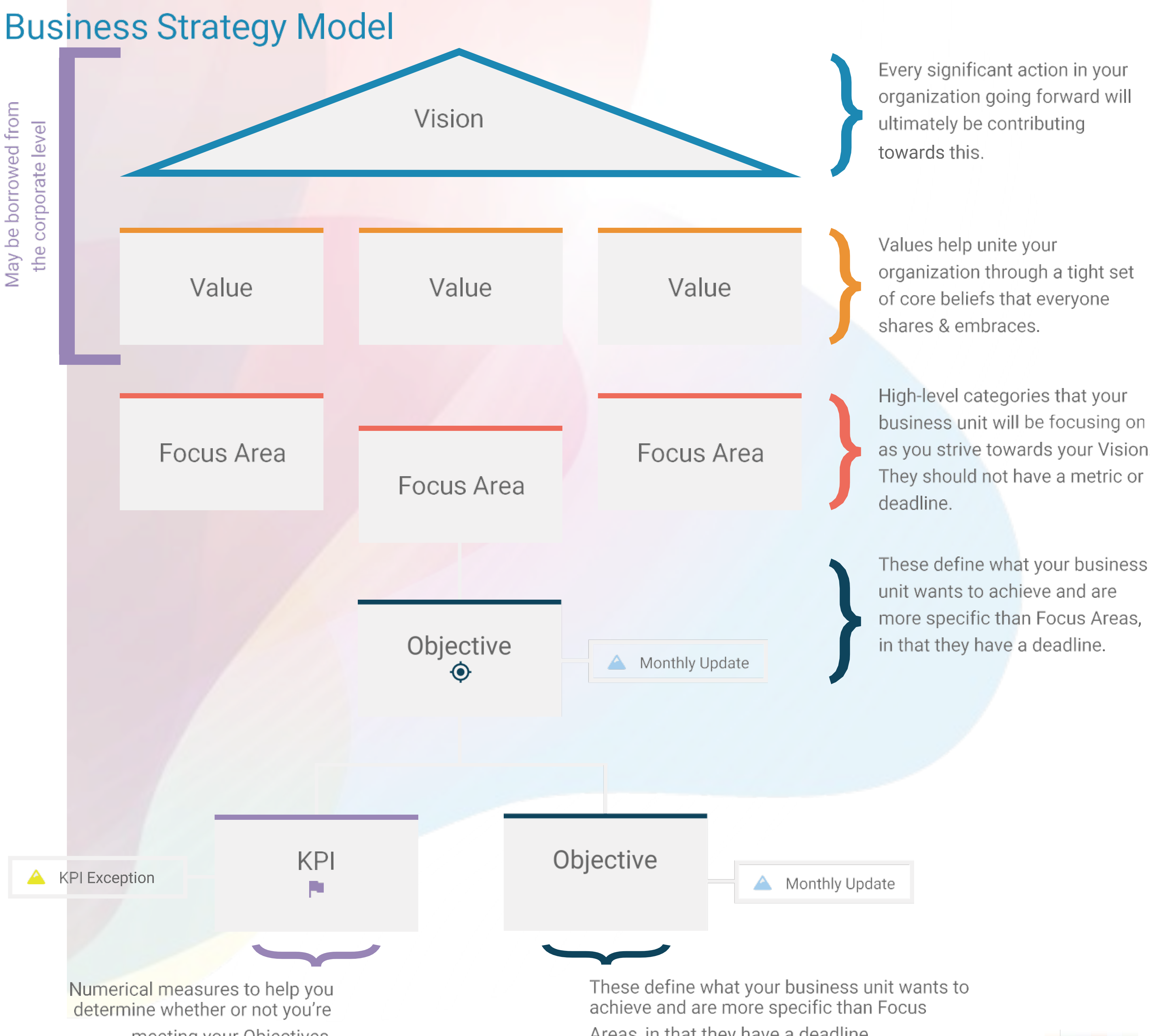
INTEGRATED LOW COST/DIFFERENTIATION

For some businesses, the optimal approach may be a hybrid strategy, emphasizing both low cost, as well as differentiation. The rise of so called 'premium fast food' restaurants, which offer both the low price associated with more established fast food chains, as well as a differentiated range of offerings, is a testament to the effectiveness of this strategy.

If you're struggling to decide on the best business strategy to pursue for you business unit, *TICGL Firm* to help point you in the right direction for your company.

How to Write A Business Strategic

Once you've chosen the type of business strategy you'd like to pursue, you'll need to write a strategic plan to address all the actions your business unit will undertake to achieve its vision. We've already written in depth on how to write a strategic plan, but here is a quick overview of how to write a business strategic plan.



How to Write A Business Strategic

VISION

Your vision statement defines where you want to get to. Do not start your strategic plan without defining your Vision Statement! Lots of articles have been written about the value of a good Vision Statement.

VALUES

Values represent how you'll behave as an organization as you work towards your vision. Too often, organizations simply throw out words that they think will sound good in a glossy marketing brochure but have little relevance to anything else. Our take on 'Values' is subtly different and hopefully somewhat more pragmatic. Think of Values as the 'enablers' of your Vision Statement. Don't be afraid to be honest about how you want your people to act and think.

FOCUS AREAS

Your focus areas are the high level things that you'll be focusing your efforts towards as you strive towards your vision. Focus Areas should be tighter in definition than your Vision Statement - but not to the level of having any particular metric or deadline.

STRATEGIC OBJECTIVES

Strategic objectives represent what you want to accomplish - they're reasonably high level, but should still have a deadline attached. Your Strategic Objectives should align to one or more of your Focus Areas. Typically you'll have 3-6 objectives for each focus area.

KPIS

KPIs are how you will measure progress towards your strategic objectives. They're measurable values that show your organization's progress. KPIs should be developed to contribute to achieving a specific goal or objective. If they're not developed with a specific objective in mind, they run the risk of stealing attention, time, and money from KPIs that actually help to achieve strategic objectives.

How to Write A Business Strategic

PROJECTS

Projects describe what you will do to accomplish your objectives. They must be extremely specific and contain a deadline and a clear articulation of your actions. Your projects should align to at least one of your strategic objectives and describe how you will actually achieve your strategic objective. Typically you will create multiple projects for each strategic objective.

If you're writing a strategic plan, it can be helpful to think about it this way: business level strategy decisions are ultimately based on analysis of two main factors - customers and core competencies.

The Key Focus Areas for Business Level Strategies

OK, so we've got a rough understanding of how to structure a business strategy, but what about the actual content of your strategy. Well this will of course vary between organizations, but typically you'll need your business level strategy to address at minimum two key elements:

CORE COMPETENCIES

As a result of the more restricted, singular nature of business level strategy, the concept of a business's core competencies becomes very important. Core competencies are the elements of a business which differentiate that business in the market, and provide value to customers.

Understanding what a business's core competencies are, and examining the manner in which these competencies can be developed or leveraged into real world competitive advantage in a market is a massive part of business level strategy. If you're struggling to create competitive advantage or identify your business's core competencies, analysis is a great place to start.

CUSTOMERS

In addition to understanding a business's core competencies, business level strategy is concerned with the nature of the customers, both current and potential, which interact with the business. The words who, what and how can be used to develop this understanding.

WHO ARE THE CUSTOMERS?

Demographic descriptors as well as consumption patterns can help to draw a picture of who your customers are. In contrast to those working at the corporate strategy level, business level strategists are often able to develop an extremely accurate and specific idea of who their customers are, allowing us to tailor strategic planning decisions in a way which just isn't feasible at a corporate level.

The Key Focus Areas for Business Level Strategies

WHAT ARE THE PRODUCTS THAT CUSTOMERS NEED?

Understanding what a business's customers actually want is vitally important when it comes to developing and maintaining competitive advantage. Companies which fulfill needs and create value for customers are successful businesses.

In addition, the ability to accurately forecast changes in customer needs over time, as well as anticipating fluctuations in demand, allows businesses to respond in strategic terms.

HOW CAN THE BUSINESS SATISFY CUSTOMER NEEDS?

Finally, organizations need to figure out how to leverage core competencies and resources in a manner which satisfies customers - creating value.

PUTTING IT ALL TOGETHER

With a firm idea of what a business's core competencies are, as well as an idea of the customers that business serves, we already have a powerful model of a business as an entity. This gives us the ability to start developing strategies that can foster competitive advantage and create value - the end goal of business level strategy.

How to Cascade Business Strategy to Functional Level Strategy

Once you've created your business strategy, you'll need to cascade this down to your functional departments, so they're able to create the functional level strategy. Your functional level strategy will start to address the specific actions that functional departments will take to achieve strategic objectives and projects in the business strategy.

The business strategy should first be shared and communicated with the heads of functional departments. The functional department leaders will then need to use the strategic objectives and projects from the business strategy that relate to their department, and use these as a basis to inform their focus areas. They are then able to develop their own strategies and tactics to achieve these focus areas, which should flow up to help achieve the strategic objectives and projects in the business strategy.

Business level strategy is heavily focused on customers, as well as the core competencies of a business. With these variables in mind, developing business level strategy becomes significantly easier.

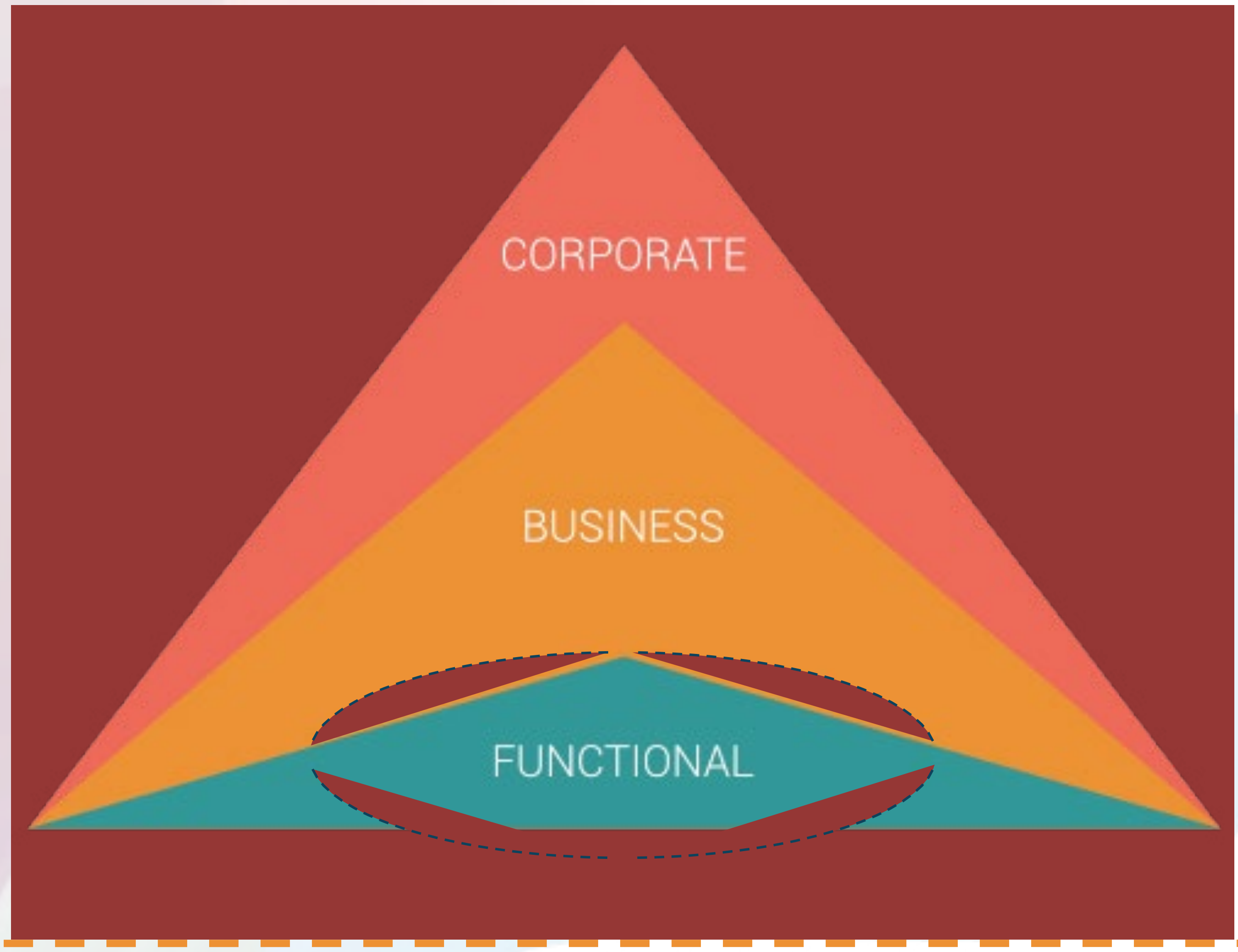
Ultimately, business level strategy is where the abstracted strategic directions developed at the corporate level are realized as meaningful, concrete initiatives - turning ideas into real- world value.

This makes business level strategy immensely valuable. Good strategic planning at the business level can radically impact outcomes for any organization - from the very small right up to the very large.

What is functional level

Functional level strategies are those put in place at the operating level of an organization, and will facilitate the achievement of corporate (or business) level strategy. Typically, functional level strategies will be created for departmental units - the strategic needs and goals of, for example, the Human Resources department, will differ substantially from those of IT. Which is why most organizations will have multiple functional strategies, and each department will need its own.

In terms of strategic planning, functional strategy should be the last strategy level created in an organization, as it is the strategy level that defines the 'how', after corporate strategy has defined the 'where' and business strategy the 'what'.



IF YOU'RE NOT CLEAR ON THE OTHER STRATEGY LEVELS, CHECK OUT THIS ARTICLE,

Quick overview - corporate strategy is the broadest ranging and defines overall company direction, business strategy is focused on being competitive in an industry or area of the market, and functional strategy is focused on defining the specific actions functional departments will take to best achieve business and corporate strategy.

The relationship between **strategy and corporate strategy**

As mentioned earlier, the strategy levels you choose to employ in your organization will depend on the size and structure of your company. For example if you're a large organization with multiple businesses operating under an umbrella company, you're going to need all three strategy levels: a corporate strategy for the organization as a whole, business strategy for each of your different businesses and functional strategy for the different departments in each of the businesses.

On the other hand, organizations with one business unit will not need a separate corporate and business strategy, and will instead create a combined corporate and business strategy for the organization, plus functional strategy for each of their departments. This is the scenario we will focus on for this article, and in this instance, functional strategies' relationships with corporate strategy is very tightly bound. The corporate strategy will define the direction of the business and what it wants to achieve, and the functional strategies should then be created in order to define how to go about supporting corporate goals and objectives.

Why should you be concerned Functional Level Strategy?

Ultimately, the success of functional level strategies have a direct correlation to the success of your organization's corporate level strategy. Even the most well designed corporate level strategies will fail to produce results if functional level strategy is insufficiently well addressed, poorly aligned, or poorly executed (or all three).

Functional level strategy is the direct concern of actors at the departmental level, but this certainly doesn't mean that corporate level strategists can ignore it. In fact, coordinating the strategic initiatives of disparate departmental units is probably one of the most significant tasks of corporate level strategists.

For example, a company pursuing a retrenchment strategy at a corporate level will need to make decisions regarding the profitable and unprofitable elements of the organization at a functional level. Communicating with and understanding these elements, and the way they interact, will be critical to the success of this strategy.

Making the decision to outsource or otherwise shrink less directly profitable elements of a business, such as HR or IT will have an impact on the effectiveness of other functional level elements such as sales. Understanding the way that these departments interact is contingent on getting good data from functional level elements.

5 steps to align functional strategy with corporate strategy

Strategic plans at the corporate level are slightly abstract, they generally contain a broad ranging vision, and the high level objectives/goals, all of which can be hard to make tangible. In order for organizations to actually execute their corporate strategy and achieve these high level goals (and ultimately their vision), it is necessary to further break up these goals into clear and concise actions. This is where functional strategy comes into play.

Functional level strategy is characterized by a strong emphasis on detail, metrics and practicality. As a result, functional level strategy development involves a much greater level of communication and feedback both vertically and horizontally than strategy development at the corporate levels. Recognizing this fact is the key to aligning functional strategies with the broader goals of corporate strategy.

Achieving success at functional strategy can be a daunting prospect. Thankfully, there are some straight-forward steps which any strategic planner can take to ensure excellent results.

STEP 1
SHARE AND COMMUNICATE CORPORATE STRATEGY WITH FUNCTIONAL UNIT LEADERS

Ideally functional unit leaders will be involved or at least informed throughout the creation of corporate strategy. Even if they weren't though, it's not too late. Department heads need to gain an understanding of the corporate strategy and the goals and objectives that their department can support, in order to create an aligned functional strategy. A strategy walk through meeting should take place between organizational and functional leaders to put everyone on the same page. We've already created a guide on how to share and get feedback on your strategy, so if you're not sure how to go about this process.

5 steps to align functional strategy with corporate strategy

As a quick checklist, you should come out of the meeting with a solid understanding of:

① The goals/objectives/KPIs that each department will 'own'.

② The goals/objectives/KPIs that each department will 'contribute to'. E.g. If the head of sales owns the corporate strategy objective 'Increase year on year revenue by x%' - the sales department may also need support from marketing, customer success etc.

③ The timelines associated with each goal/objective/KPI.

④ A clear understanding of what success looks like for each goal/objective/KPI.

STEP 2

FUNCTIONAL LEADERS BEGIN FORMULATING STRATEGY

The second step should allow department heads the time to interpret the objectives they own from the corporate strategy and begin to formulate a functional strategy for how they can best achieve these objectives. In the process of creating functional strategy, department heads should pay special attention to the support they will need from different departments. The key components of functional strategy should include:

① Objectives or Goals

② KPIs for each Objective/Goal

③ Projects or work plans for each Objective/Goal

④ Ownership and accountability for every action and decision in the strategy

⑤ Timelines and milestones

5 steps to align functional strategy with corporate strategy

STEPS 3
FOSTER COMMUNICATION

As noted earlier, bilateral communication is critical to the success of corporate strategy as a whole. Within a hierarchy, horizontal communication, as well as top-down communication is generally easier to achieve than truly bilateral vertical communication. It is important to consider the needs of the various parties involved, as well as clearly defining which parties should be involved. Taking the time to create an environment which can foster this communication is an important factor in creating an effective functional level strategic plan.

STEP 4
REVISE FUNCTIONAL AND CORPORATE LEVEL STRATEGIES

At this point in the process, corporate and functional leaders should come back together to share and review functional strategy and how it aligns with corporate strategy. Are functional objectives too narrow or too broad? Are your KPIs too optimistic? How does this functional objective contribute to the corporate strategy. Asking these questions can be the difference between a cohesive relationship between corporate and functional strategy, and one that is poorly aligned and ineffective. Corporate leaders should provide feedback and recommendations to ensure close alignment between the strategy levels.

5 steps to align functional strategy with corporate strategy

STEP 5

IMPLEMENT PROPOSED CHANGES TO FUNCTIONAL STRATEGY

You may have found in the review process that certain objectives in the functional strategy didn't have clear alignment with corporate level objectives. So, even if departments successfully execute and achieve these objectives, there won't be an impact on the success of the corporate objectives. If this is the case, the objective probably needs to go. Having objectives that don't align with corporate objectives/goals will end up stealing time and attention away from those that do correlate with the success of your corporate strategy. Everything you do has an opportunity cost, which is why strategic alignment between strategy levels is so important.

Functional leaders should make proposed amendments to their strategies based off the feedback from the previous step.

Following the steps outlined above should help you along the process of creating an aligned functional strategy. Ultimately, functional level strategy is a core component of any corporate strategy. Taking the time to understand functional level needs and objectives will pay off in the long term.