

**SOS POLITICAL SCIENCE AND
PUBLIC ADMINISTRATION**

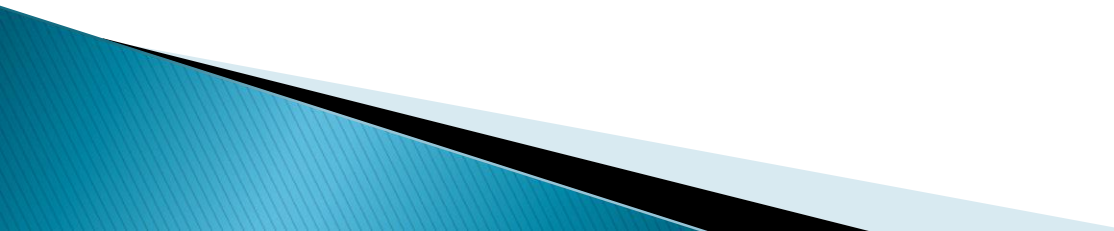
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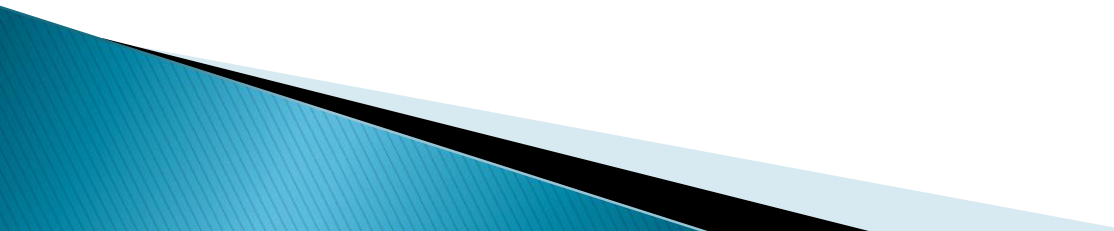
**SUBJECT NAME: STRATEGIC
MANAGEMENT**

TOPIC NAME: LEVELS OF STRATEGY

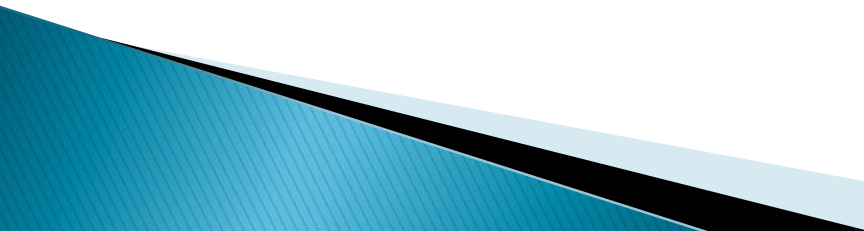


MEANING OF STRATEGY:

- ▶ The word “strategy” is derived from the Greek word “stratēgos”; stratus (meaning army) and “ago” (meaning leading/moving).
 - ▶ Strategy is an action that managers take to attain one or more of the organization’s goals. Strategy can also be defined as “A general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process”.
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- ▶ A strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives. While planning a strategy it is essential to consider that decisions are not taken in a vacuum and that any act taken by a firm is likely to be met by a reaction from those affected, competitors, customers, employees or suppliers.
 - ▶ Strategy can also be defined as knowledge of the goals, the uncertainty of events and the need to take into consideration the likely or actual behavior of others. Strategy is the blueprint of decisions in an organization that shows its objectives and goals, reduces the key policies, and plans for achieving these goals, and defines the business the company is to carry on, the type of economic and human organization it wants to be, and the contribution it plans to make to its shareholders, customers and society at large.
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- ▶ Strategy can be formulated at three levels, namely, the corporate level, the business level, and the functional level. At the corporate level, strategy is formulated for your organization as a whole. Corporate strategy deals with decisions related to various business areas in which the firm operates and competes. At the business unit level, strategy is formulated to convert the corporate vision into reality. At the functional level, strategy is formulated to realize the business unit level goals and objectives using the strengths and capabilities of your organization. There is a clear hierarchy in levels of strategy, with corporate level strategy at the top, business level strategy being derived from the corporate level, and the functional level strategy being formulated out of the business level strategy.
 - ▶ In a single business scenario, the corporate and business level responsibilities are clubbed together and undertaken by a single group, that is, the top management, whereas in a multi business scenario, there are three fully operative levels.
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1. Corporate Level:

- ▶ Corporate level strategy defines the business areas in which your firm will operate. It deals with aligning the resource deployments across a diverse set of business areas, related or unrelated. Strategy formulation at this level involves integrating and managing the diverse businesses and realizing synergy at the corporate level. The top management team is responsible for formulating the corporate strategy. The corporate strategy reflects the path toward attaining the vision of your organization. For example, your firm may have four distinct lines of business operations, namely, automobiles, steel, tea, and telecom. The corporate level strategy will outline whether the organization should compete in or withdraw from each of these lines of businesses, and in which business unit, investments should be increased, in line with the vision of your firm.

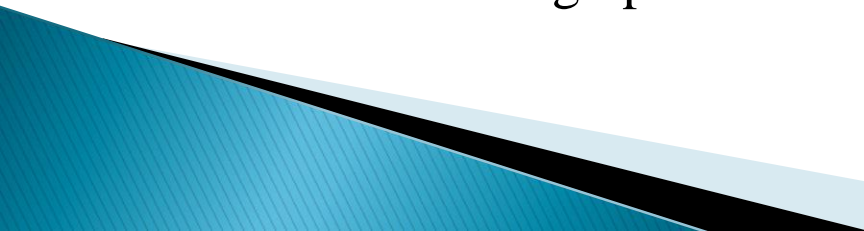
2. Business Level:

- ▶ Business level strategies are formulated for specific strategic business units and relate to a distinct product-market area. It involves defining the competitive position of a strategic business unit. The business level strategy formulation is based upon the generic strategies of overall cost leadership, differentiation, and focus. For example, your firm may choose overall cost leadership as a strategy to be pursued in its steel business, differentiation in its tea business, and focus in its automobile business. The business level strategies are decided upon by the heads of strategic business units and their teams in light of the specific nature of the industry in which they operate.

3. Functional Level:

- ▶ Functional level strategies relate to the different functional areas which a strategic business unit has, such as marketing, production and operations, finance, and human resources. These strategies are formulated by the functional heads along with their teams and are aligned with the business level strategies. The strategies at the functional level involve setting up short-term functional objectives, the attainment of which will lead to the realization of the business level strategy.
- ▶ For example, the marketing strategy for a tea business which is following the differentiation strategy may translate into launching and selling a wide variety of tea variants through company-owned retail outlets. This may result in the distribution objective of opening 25 retail outlets in a city; and producing 15 varieties of tea may be the objective for the production department. The realization of the functional strategies in the form of quantifiable and measurable objectives will result in the achievement of business level strategies as well.

IN SOME SMALL POINTS:

- ▶ **Corporate Level Strategy:**
 - Defines the business areas in which your firm will operate.
 - Involves integrating and managing the diverse businesses and realizing synergy at the corporate level.
 - Top management team is responsible.
 - ▶ **Business Level Strategy:**
 - Involves defining the competitive position of a strategic business unit.
 - Decided upon by the heads of strategic business units and their teams.
 - ▶ **Functional Level Strategy:**
 - Formulated by the functional heads along with their teams.
 - Involve setting up short-term functional objectives.
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HOW TO APPLY LEVELS IN BUSINESS:

Corporate Level: CEO, Board of Directors, and other senior executives

Head Office

Business Level: Unit managers and other staff

SBU A

SBU B

SBU C

Functional Level: Functional managers and workers

Business operations

Business operations

Business operations

Market

Market

Market

