

If one does not know to which port one is sailing, no wind is favourable.
Seneca (ca 4 BC–AD 65), Roman philosopher, statesman and dramatist

Strategy and planning

Strategy and planning begins with analysis, and a well-known tool to do this is a SWOT analysis (looking at the internal Strengths and Weaknesses of the company, and the external Opportunities and Threats). Planning itself can be categorized into two main types depending on the time-scale and purpose of the planning.

- Strategic planning is concerned with the longer term and 'the big picture'. It is the process of defining the company's mission, determining the overall goals of the organization and allocating resources to reach those goals. It is done by top and middle managers.
- Operational planning is concerned with translating the general, long-term goals into more specific, concrete objectives. It involves monitoring the day-to-day work of departments. It is done by middle and supervisory managers.

Company structure

Having decided on its strategy, a business needs to organize itself into a structure that best suits its objectives. This can be done in several ways.

- Organization by function. The company is divided into departments such as production, finance, marketing, human resources.
- Organization by product. The company brings together staff who are involved in the same product line.
- Organization by customer type. The company is organized around different sectors of the market. Large customers are called 'key accounts'.
- Organization by geographical area. The company is organized according to regions.

A large multinational may use several of the above: for example a functional division initially (at an international level), then a national structure for each country, and within this some level of division according to customer types.

The business must also decide on the best way to organize its management hierarchy (= chain of command). The company is run by top (= senior) managers with job titles such as: Chief Executive Officer (CEO), Chief Operating Officer (COO), and a series of Vice-Presidents or Directors of different departments. Top management set a direction for the organization and aim to inspire employees with their vision for the company's future. This vision is often written down in a mission statement.

The next level is middle management, where managers are in charge of (AmE head up) a department, division, branch, etc. Middle managers develop detailed plans and procedures based on the firm's overall strategy.

Finally there is supervisory (AmE first-line) management, and typical job titles are: Supervisor, Team Leader, Section Chief. Supervisory managers are responsible for assigning non-managerial employees to specific jobs and evaluating their performance. They have to implement plans developed higher up the hierarchy.

In some companies – or for specific projects – there can be a matrix structure with cross-functional teams. Here employees from different parts of the organization work together and bureaucracy is reduced.

Above everything there is the Board, chaired by a Chairman or President, which gets involved in 'big picture' strategic planning and meets perhaps once a month. The CEO will be on the Board, but most Board members are not involved in running the company – they are elected by and responsible to the shareholders. Their main interest is shareholder value: getting a good return on investment in terms of both dividend payments and a rising share price.

Centralization vs Decentralization

A key issue for the company is to decide on the degree of centralization. Should authority be kept at Head Office (centralization)? If so, this would mean:

- A strong corporate image.
- Decisions made by experienced managers who see the whole picture, not just one part of the business.
- Standardized procedures which could lead to economies of scale (lower costs) and simpler distribution channels.

But decentralization also has advantages:

- Lower-level managers are more familiar with local conditions and can therefore give a stronger customer focus.
- The delegation of decision-making is likely to lead to a higher level of morale at the grassroots.

There are other closely-related questions. Should the structure be 'vertical', with many layers of management, or 'flat', with fewer layers? And how many subordinates should each manager supervise?

Monitoring and adapting plans (comparing actual data with forecasts, acting on feedback from customers and suppliers, acting on reports prepared by first-line managers)

Controlling budgets

Implementing plans, procedures and projects

Ensuring that objectives are SMART (specific, measurable, agreed, realistic and time specific)

Identifying customer needs, eg through market research

Identifying ways to lower costs and reduce waste

Determining staffing needs

SWOT Analysis: market position

Analysing the product portfolio, including stage in the life cycle of main products

Analysing figures for profit centres (that add value) and cost centres (that spend budgets)

Operational (day-to-day) issues for supervisory and middle managers

Analysis of current position

STRATEGY AND PLANNING

General issues for senior and middle managers

'Big picture' issues for

Board and senior managers

Setting overall sales and revenue goals

Setting budgets and making long-term forecasts of costs

Improving distribution channels

Identifying new markets

Identifying opportunities for new products

Pricing policy: value-for-money products vs high quality / premium price products

Building brand loyalty

Investing in technology, plant and equipment

Integrating on-line and off-line procedures (eg for sales and for customer service)

Evaluating current markets: development, consolidation, or withdrawal?

Prioritizing sales growth and market share, or earnings growth and profitability?

Business development: looking at possible takeover targets, mergers, alliances; entering new markets (from zero? buying local company? joint venture?)

Product diversification, or focus on core business?

Marketing strategy: worldwide or multidomestic?

Identifying major cost savings: looking for internal efficiencies, setting up production in low-cost countries (outsourcing)

Increasing shareholder value: share price and dividends

Image, reputation and social responsibility

3

Corporate strategy and structure: Exercises

3.1 Fill in the missing letters.

- 1 Inside a company, large customers are often referred to as 'k _ a _ _ _ _ s'.
- 2 COO stands for 'C _ _ f O _ _ _ _ _ g O _ _ _ _ r'.
- 3 A matrix structure brings together people from different parts of the organization to work as c _ _ _ - f _ _ _ _ _ l t _ _ s.
- 4 The delegation of decision-making is likely to lead to a higher level of morale at 'the gra _ _ oots' (= the ordinary people in an organization rather than its leaders).
- 5 Each manager supervises a number of sub _ _ _ _ _ s.
- 6 In relation to an existing market, the 'big picture' strategy can be one of dev _ _ _ _ _ nt (growth), conso _ _ _ _ _ ion (making the existing situation stronger), or wi _ _ _ _ _ wal (leaving the market completely).

3.2 Complete each phrase 1–10 with an ending a)–j).

- 1 Operational planning translates general goals ☐
 - 2 It is usual to divide an organization ☐
 - 3 Some companies are organized according ☐
 - 4 The Board gets involved ☐
 - 5 Senior managers set ☐
 - 6 Middle managers develop detailed plans based ☐
 - 7 First-line managers implement plans ☐
 - 8 First-line managers are also responsible ☐
 - 9 A cross-functional team brings ☐
 - 10 Subordinates work ☐
- a) a direction for the company.
b) developed higher up the hierarchy.
c) for assigning employees to specific jobs.
d) in major strategy issues.
e) into functional departments.
f) into more concrete objectives.
g) on the overall strategy.
h) to geographical regions.
i) together staff from different parts of the company.
j) under the supervision of a first-line manager.

3.3 The mixed-up letters make words that describe departments or functional areas inside a company. Put the letters in the right order.

- | | |
|----------------------------|-------------------------------|
| 1 haumn rrueecss | 9 pdroctoiun |
| 2 cmoesutr screevs | 10 lgael |
| 3 qtuaily crotnol | 11 siihnppg |
| 4 rsaceerh and dvnolpmeeet | 12 facnine |
| 5 pbiluc rnotilaes | 13 metakrnig |
| 6 pejcrot mmeegnnaat | 14 atnccous |
| 7 aiiisdtrtnmaon | 15 pasuirchng (= buying, BrE) |
| 8 bnlliig | 16 pcoenremut (= buying, AmE) |

3.4 Pairs of words in bold have been switched – one from each column. Put them back in their correct places.

- | | |
|-----------------------------|--------------------------------|
| 1 market channel | 7 core growth |
| 2 cost value | 8 distribution research |
| 3 earnings business | 9 mission needs |
| 4 management loyalty | 10 market portfolio |
| 5 customer statement | 11 shareholder centre |
| 6 product share | 12 brand hierarchy |

3.5 Which of the collocations in exercise 3.4 refer to:

- 1 using a questionnaire to carry out a survey
market research
- 2 the main activity of a company that generates most of its profits _____
- 3 financial benefits (= increase in share price and dividends) for the owners of the company _____
- 4 the whole range of products that a company sells _____
- 5 when customers are faithful to a particular product _____
- 6 a business unit that spends money but does not generate revenue _____
- 7 a continuing increase in profits _____
- 8 what is shown in an organigram (= organization chart) _____
- 9 senior management's vision for the company _____
- 10 how a product gets from the manufacturer to the end-user _____

3.6 Match the verbs in the box with their definitions below. Be careful – some are very similar.

adapt	assign	check	control	coordinate
determine	ensure	evaluate	implement	monitor

- 1 make sure that everything is correct or the way you expect it check
- 2 organize people so that they work together effectively _____
- 3 give someone a job to do _____
- 4 carry out; make a plan start to work _____
- 5 have the power to make decisions; make something operate in the way that you want _____
- 6 make certain that something happens _____
- 7 change something to fit a new situation _____
- 8 watch or measure something carefully for a period of time to see how it changes _____
- 9 (formal) think about or test something before deciding its value, suitability or effectiveness _____
- 10 (formal) control what something will be; officially decide something; find out _____

3.7 Use the words in the box to complete the SWOT analysis below.

alliance barriers climate debt depth one-stop
outdated overhead range shortage start-up
state-of-the-art tailor-made transfer workflow

Strengths (strong points, internal)

- a large market share
- a well-structured distribution network
- motivated and well-trained staff
- 1 _____ (= cutting edge) products
- 2 _____ (= customized / personalized) products
- all services provided in one place: a 3 _____ shop'
- a well-known, high-value brand

Weaknesses (weak points, internal)

- a lack of new products
- a lack of managerial 4 _____ (= amount of knowledge and experience)
- 5 _____ (= old fashioned) production methods
- high levels of 6 _____ (= money owed to banks and other creditors)
- slow 7 _____ (= progress of work done) due to inflexible procedures
- an over-reliance on a limited 8 _____ of products
- high direct costs (= production costs) and high indirect costs (9 _____ eg utility bills)

Opportunities (future chances in the market)

- new foreign markets
- an improving economic 10 _____
- outsourcing
- a key supplier who might want to make a strategic 11 _____
- new product ideas: either from market research or from sales reps talking directly to customers

Threats (future dangers in the market)

- greater competition
- low-cost production in Southeast Asia
- technology 12 _____ to Southeast Asia (so that low-cost countries start using high-tech equipment)
- high 13 _____ costs of a new facility
- political risk: regulation, taxes, trade 14 _____ (eg quotas and tariffs)
- the market approaching saturation
- possible 15 _____ of components or raw materials
- reduced pricing power due to merger of two important customers

3.8 Look back at the completed SWOT analysis in exercise 3.7 and find a word that means:

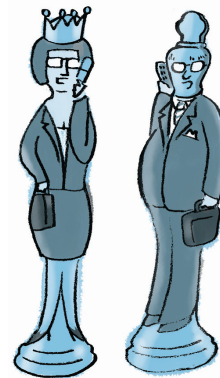
- 1 a situation in which you do not have enough of something _____
- 2 depending too much on something _____
- 3 'sales staff' (the answer is a short form of a longer word) _____
- 4 a building used for a particular purpose (especially for manufacturing) _____
- 5 when everyone who wants the product already has it _____

3.9 Tick (✓) the one statement that is true.

- 1 *Targets* and *goals* tend to be more general. *Objectives* and *aims* tend to be more specific, with *aims* being the most concrete and measurable. ☐
- 2 *Aims* and *goals* tend to be more general. *Objectives* and *targets* tend to be more specific, with *targets* being the most concrete and measurable. ☐

3.10 Managers should make sure that business objectives are SMART. Can you remember what these letters stand for? Don't look back at the mind map until you have tried to think!

Sp _____ c, Mea _____ le, Ag _____ d,
Rea _____ ic, and Ti _____ specific



Discussion topics

- 1 Bosses just take the credit for the work of lower-level employees. Who needs them?
☐ Agree ☐ Disagree
- 2 The continual emphasis on shareholder value in American-style companies produces high levels of stress amongst employees and an inability to think about the longer term.
☐ Agree ☐ Disagree
- 3 Think of two companies operating in the same market (eg Coke and Pepsi, Yahoo and Google, Audi and BMW, Gucci and Armani). Compare their strategies.
- 4 Make a quick SWOT analysis for a company / country / city / educational institution that you know. Present it to some colleagues and ask for questions.