

SEARCH GO

[Follow](#)

THE HINDU Business Line

[Home](#) [Companies](#) [Markets](#) [Industry & Economy](#) [News](#) [Opinion](#) [Features](#) [Today](#) [Topics](#)
[Investment World](#) [Smartbuy](#) [WL](#) [Weekend Life](#)

Role of strategy in firms

Mohit Kishore

[Share](#) · [Comment](#) · [print](#) · [T+](#) · [T-](#)



Collaboration between all entities is a must for efficient operations

While there are many definitions, strategy usually refers to organisational processes involving the determination of either goals or the means to attain those goals. This entails the interplay of many factors — external factors relating to the environment and industry, as well as internal factors, such as capabilities and values. The composite insights generated from these factors lead to the creation of an organisational strategy.

While the broader contours of a strategy may remain constant for a long period of time, the specific details may undergo rapid changes. Hence, it is a going concern, just like the overall firm. Given the proximity of strategy to the principles that impact day-to-day functioning of an organisation, it is quite surprising that this discipline in its applied form is not as formal as many other disciplines, such as marketing, operations and others. This is because, while there is an

academic unanimity about the importance of strategy, its protocols in applied and real contexts seem to be rather poorly defined.

It must be noted that the role of strategy is even more significant in growth of firms, and, at a broader level, in growth of economies like India, where opportunities may seem immense and innumerable, but choosing the right may make all the difference.

So, what are the key issues that the strategy function must strive to work on?

Strategy design

The starting point of the strategy design process lies in the creation of philosophical principles that guide the firm's existence. These principles would combine two elements — the 'human values' and the 'operating values' of the firm. The former includes concepts such as integrity, creativity etc, while the latter may include marketplace values, such as low cost, high quality etc.

At the next level, the philosophical principles are put to test against the opportunities offered by the environment in which the firm operates. The next level of granularity would of course entail financial plans, people plans, projects and other activities that enable the realisation of the strategy. At each of these levels, design would not simply be an academic exercise restricted to a few, but would engage the entire firm and its stakeholders. In other words, the strategy design process is neither a top-down, nor a bottom-up activity, but rather a collaborative exercise, with centralised facilitation.

Strategic decisions

Strategy has an important role to play in driving the decision processes in the firm. This occurs at two levels — first, in the key decision-making processes in the firm as a whole, and second, in the creation of protocols for decision-making within components of the firm. Protocols for sub-units help create the balance between autonomy and adherence to broader strategic goals at the level of individual components of the firm.

Diagnostics

Ongoing diagnostics is another critical function that strategy must perform. A diagnostic involves a detailed analysis of well-defined business unit level or corporate strategic issues where an external and objective perspective is valuable.

As a function, strategy offers the right mix of distance and proximity from business issues and, thus, creates a space where established patterns of understanding can be challenged or looked at afresh. Routine diagnostics help ensure that both the strategy of the firm, as well as its manifestation in sub-units are constantly refined in light of the actual environment and its realities. In other words, diagnostics are the learning engine of the organisation.

Scenario planning

Scenario planning entails visualising the impact of multiple external and internal scenarios on the strategic goals of the firm and its stakeholders (shareholders, employees, customers etc). Essentially, it's a process of detailed de-risking of extreme possibilities, to a point that stakeholder interests are preserved in all eventualities.

Innovation

Given the wide range of issues accessed by the strategy function, the innovation practice of an organisation is best placed within strategy. Innovation involves a broad range of issues, including operational innovation, new business incubation and others. Innovation requires multiple perspectives to come together, both firm within the firm and outside it. The primary role that strategy needs to play here is to conceptualise such possibilities and create working prototypes. These prototypes, in turn, could be embedded into the broader organisation if found to be successful. In the absence of such a prototype 'manufacturing' function, most organisations choose not to prioritise innovation, since innovation and short-term goals of the organisation compete for the limited attention span of operating managers, and the latter usually wins.

Integrated review and facilitation

A mature strategy function also actively reviews the firm's performance along its strategic objectives in an integrated manner, whereby the 'sum of the parts' is routinely evaluated, as opposed to just the individual parts. In this manner it can play the role of 'conscience keeper' of the firm. The strategy function can play an ongoing facilitation role, which entails that different units of the firm operate through mutual cooperation, and in sync with the broader strategic goals of the organisation. These are just a few issues where the strategy function can play an important role within the firm. Note that academic constructs like corporate and business strategy have not been delineated in the items described above given the high degree of overlap between them in applied contexts.

Finally, any mature strategy 'practice' must strive to work in a spirit of collaboration with a wide spectrum of stakeholders across the board, and constantly seek to ask the right questions, without necessarily having all the answers.

mohit.kishore@gmail.com

The author is a strategy professional in the financial services sector.

Keywords: [organisational processes](#), [strategy in organisation](#), [corporate and business strategy](#)

[Tweet](#)



Business Line: [Home](#) | [Companies](#) | [Markets](#) | [Industry & Economy](#) | [News](#) | [Opinion](#) | [Features](#) | [Today](#) | [Topics](#) | [Today's Paper](#) |

This Site: [About Us](#) | [Contacts](#) | [Archives](#) | [Subscription](#) | [RSS Feeds](#) | [Site Map](#) | [Brand Quest](#) |

[ePaper](#) | [Social](#) | [BL Club](#) | [Mobile](#) |

Group Sites: [The Hindu](#) | [Business Line](#) | [Sportstar](#) | [Frontline](#) | [Publications](#) | [eBooks](#) | [Images](#) |
Republication or dissemination of the contents of this screen are expressly prohibited without

the written consent of *The Hindu Business Line*.

Comments to: web.businessline@thehindu.co.in. Copyright © 2012, *The Hindu Business Line*.