1. Explain the purpose of strategy? What are the different levels of strategy in an organization? Discuss these levels with the help of an illustration.

Ans: The word “strategy” is derived from the Greek word “strategos”; 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”.

A strategy is 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.

Features of Strategy

Strategy is Significant because it is not possible to foresee the future. Without a perfect foresight, the firms must be ready to deal with the uncertain events which constitute the business environment.

1. Strategy deals with long term developments rather than routine operations, i.e. it deals with probability of innovations or new products, new methods of productions, or new markets to be developed in future.
2. Strategy is created to take into account the probable behavior of customers and competitors. Strategies dealing with employees will predict the employee behavior.
3. Strategy is a well defined roadmap of an organization. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization’s strengths and to minimize the strengths of the competitors.

Strategy, in short, bridges the gap between “where we are” and “where we want to be”.

Different levels of strategy in an organization are:

Corporate Strategy – This is a general and macro level strategy which is overarching all the other aspects. It focuses on the purpose of the business, its areas of operations, the goals in terms of markets and target consumers, and the approaches that will be taken to meet those goals. This is an important first step because it helps you clarify your own vision and give it a form that can then be detailed out. It also provides a line of sight to the leaders and employees, both potential and existing, and allows you to define values that you will need to apply for your business’s success. Depending on the size of operations, this will be a simple or complicated process.

Business Strategy – This is the next level where the corporate strategy is percolated down to the business level. This requires some more detailing such as specific steps that will be undertaken within identified approaches, for goal achievement. It also allows different businesses to identify their alignment and linkage with the corporate strategy, and define their growth goals as per that. The go-to-market strategy comes into picture at this stage as well. Operational details such as resource planning, workforce optimization and delivery, will also become a part of this phase.

Functional Strategy – This is more of a regular and daily strategy which needs to be defined to ensure that the organization is moving towards its goals. This is the bottom level of the strategy pyramid but it is extremely crucial because it can determine the final success. The idea at this stage is to find and work on function-wise goals that are linked to the business, and corporate strategies. Each function has its role to play with respect to business impact. Some play a direct role while others play a contributory one. Those are kept in mind to work on this level.

2. Discuss as to why the organizations pursue strategic alliances? Explain with the help of a recent strategic alliance.

Ans: A strategic alliance is an agreement between two or more parties to pursue a set of agreed upon objectives needed while remaining independent organizations. A strategic alliance will usually fall short of a legal partnership entity, agency, or corporate affiliate relationship.

Typically, two companies form a strategic alliance when each possesses one or more business assets or have expertise that will help the other by enhancing their businesses. Strategic alliances can develop in outsourcing relationships where the parties desire to achieve long-term win-win benefits and innovation based on mutually desired outcomes.

This form of cooperation lies between mergers and acquisitions and organic growth. Strategic alliances occur when two or more organizations join together to pursue mutual benefits.

Partners may provide the strategic alliance with resources such as products, distribution channels, manufacturing capability, project funding, capital equipment, knowledge, expertise, or intellectual property. The alliance is a cooperation or collaboration which aims for a synergy where each partner hopes that the benefits from the alliance will be greater than those from individual efforts. The alliance often involves technology transfer.

Strategic alliance between Starbucks and Tata Group

One recent example about strategic alliance, as mentioned earlier, is the alliance between Starbucks and Tata group, Starbucks chose to enter into a strategic alliance with Tata group, so as it can enter the Indian market and establish their name in India.

Starbucks announced that they will join Tata global beverages in a 50 – 50 joint venture on January 31st, 2012, whereas both partners will invest a sum of $80 million initially.

As a result of the joint venture Tata Starbucks Ltd was formed in January 2012. John Culver (president of Starbucks in china and Asia pacific) confirmed that Starbucks will join Tata group, so that Starbucks can join the Indian market, which will be one of the largest markets outside the US. Rama Bijapurkar, a market research expert and author of Winning in the Indian Market, said: “If Starbucks come to India thinking that just because they carry a foreign label it will walk over the local competition, they are going to be in big trouble. “But there is an opportunity for them here, not least because there really are no nice places to meet in our big cities, outside the lobbies of five-star hotels.” The main objectives behind the Joint venture in Tata’s view, was to increase the number of Starbucks stores in India to surpass the number of stores in china.

According to John culver in an interview he made, he thinks that now is the right time for starbucks to enter the market in India, given the growth the economy is experiencing as well as the emerging middle class. He thinks they have the perfect partner in Tata global beverages, as they have like minded values, that shares the same passion, for delivering high quality coffee for the people, that also shares the passion to give back to the community in which they do business.