

The Three Types of Strategy

There are three types of strategic planning that are essential to every firm: corporate, business and functional.

Corporate strategy deals with the overall firm. These strategic decisions cannot be made at a lower level without risking sub-optimization of resources. The first task is to conduct an environmental scan (study the business environment) in order to identify strengths and weaknesses. Next would be to scrutinize the firm's mission, the segmentation of its businesses and the integration of those businesses. Completion of these tasks yields answers to the questions corporate strategy must answer: What are the corporate performance objectives? How should the firm's resources be allocated to satisfy corporate, business and functional requirements? Should the design of the managerial infrastructure and the selection, promotion and motivation of key personnel change?

Business strategy focuses on competitive positioning (where to compete and how) in order to create an advantage over competitors. Business managers should run the business in a way that is in alignment with overall corporate strategy. The framework for building a business strategy includes developing the mission of the business, once again conducting an environmental scan and examining the key activities of the value chain. The action plan that results directs the business strategy, programs and budget.

At the ground level, the functional strategies of Finance, HR, IT and Marketing carry out the objectives and mission set at the corporate and business strategy levels. This is achieved by creating action plans and setting budgets.

Lastly, in regards to the strategic planning process, it is not a top-down or bottom-up flow of ideas. It is a flow of objectives from managers at the corporate level combined with a flow of program and budget alternatives from the business and functional levels. If sincerely executed, the strategic planning process generates broad participation, a wealth of ideas, consensus and clarity moving forward. Everyone knows what to do, when to do it and why he or she is doing it.

Regardless of the size of your firm, are you considering the three types of strategy?



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