Strategy for the public and private sectors

How to write a strategic plan

Hans Veldman
Agota Szabo

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1 What is Strategy?

There are many definitions and opinions about strategy. The term strategy and the word strategic are used in different applications, and in different contexts. The definition of the term, strategy refers to and depends on the person using it, what kind of position they have within an organization, and the context in which the term is used. Strategy can be related to both the internal as well as the external organization. From a historic perspective, there was a gradual change of the meaning of the term strategy. Today, strategy mainly relates to competition, or the ability to develop a distinctive advantage in comparison with other organizations or, briefly, to be unique in the business landscape.

Objectively formulated, strategy can be described as irrevocable decisions that dominantly influence the soul, identity and character of an organization. Strategy often has to do with important decisions and deals with the purpose of the organization in the long term. For those who formulate a strategy, they are forced to think about the future of the organization and about the future place of the organization in the business landscape. Therefore strategy can be described as a plan for the long term which relates to the place of an organization in society, where the purposes of the organization are stated, and includes a description of how they can be fulfilled.

The essence of strategy is how an organization can add value to a product or service, and how the organization can develop so that it is able to add value. In the private *and* the public sector this means that the strategy of an organization consists of defining a business purpose that leads to the creation of value. In the formulation of the strategy for private organizations how the organization has to be structured for achieving the creation of value is taken into account. This creation of value can express itself in different ways, either as making the world better or more endurable, or as a purpose of striving for continuity of the organization with the ultimate purpose of adding something of value to society. The condition for achieving those purposes is that the company makes profit, or achieves an acceptable level of Return on Investment. The ROI determines the profitability of the organization and the degree in which the company can realize its formulated purposes.

Organizational strategy is formulated at different organizational levels. These levels range all the way from corporate level down to operations level and the strategy is slightly different depending on the level it is created and executed at. At the highest level there is a formulation of the future direction of the company, mostly described in a vision and a mission, and specifically refers to the industry and what kind of markets are selected for the company to operate in. The second level of strategy, at middle management, is related to the industry and markets. The main question for strategic management is – what kind of strategic marketing has to be designed to achieve a competitive advantage within the industry? On the third level, operational management, the strategy that is involved is then related to the implementation of the strategic choices. This level of the organization is focused, for example, on marketing campaigns and presentation at fairs or industry events.

Is there a difference between strategy for the private and or public sector? This question implies that public organizations have to think from a different perspective, in terms of competition and competitive advantage. And indeed, public organizations do have to think in terms of innovation and competitive edge. Like private enterprises, public organizations have to be aware of their position in society and what makes them important for society, or, in terms of business, what kind of added value the public organization generates. *While a private organization thinks about what kind of industries have to be selected for investments and what kind of strategic moves have to be made with regards to changes within the industries, a public organization thinks in strategic choices in the areas of societal and political relationships.*

However, there are some clear differences between private sector strategy and public sector strategy. Companies constantly look for competitive advantages in insecure markets and changing environments. For public institutes, strategy is determined by the desire to find a solution for issues within society. Shareholders and stakeholders make strategic choices, with the purpose of realizing the continuity of the enterprise and/or generating profits. Changing markets and circumstances lead to changes in strategy and different strategic choices. For a public organization on the other hand, strategy is the consequence or the outcome of a political choice, inspired by principles of democracy and law. Will there be investments in wealth care, will there be a innovation of the education system, these are strategic choices as outcomes of political processes. Basically, one is orientated on society, the other on markets. However, at the end there is a clear resemblance between strategy for public and strategy for private organizations. The resemblance is that public organizations as well as private organization are both orientated towards the addition of value and they constantly ask themselves how they can be organized so that their added value will be maximized.

1.1 From private to public

Thinking about strategy is thinking about how to add value. Strategy is about competition, so thinking about strategy is thinking about how the organization can add more value or a different kind of value than competitors can. Strategy refers to the formulated purposes and how the organization can achieve those goals successfully. Strategy often refers to the positioning of an organization. Strategy implies that the enterprise takes a clear position in the industry, for example as 'low cost provider', and there will be a clear position based market approach within the industry. It is also possible that strategy refers to a perspective, to a once developed vision which implies a clear set of purposes, actions and choice of directions. And, finally, strategy can be considered as a patron in decision-making and actions, like repeating the copying of products of competitors, which can be described as a 'me-too-strategy'. Strategy contains all these elements of perspective, positioning, plan and patron. Strategy is the bridge between policy and higher goals on one hand, and tactic and concrete actions on the other hand. Briefly, strategy is a term that relates to a complex web of thoughts, ideas, insights, experiences, memories, perceptions, and expectations, and gives guidance to the ones who take actions to achieve specific goals.

Strategy can be seen as a plan for the long term, which gives information about the function of the organization in society, and in which the organization states what kind of goals it will achieve. Strategic plans also list the way in which the organization wishes to achieve its goals. However, it is clear that strategy is much more than a plan, long-term purpose statement or instrument.

Henry Mintzberg represents an important school of thought about strategy. In 1994 he published The Rise and Fall of Strategic Planning, in which he postulated that strategy can be used in different ways and in different contexts. According to him there were four most common ways how strategy was discussed, namely:

1. Strategy is a *plan*, a 'how', an instrument to go from here to there.
2. Strategy is a *patron*.
3. Strategy is *place*, it relates to the decision what kind of industries are selected and what distribution- or sales channels are used for entering markets in selected industries.
4. Strategy is a *perspective*; it contains a vision and a direction.

In different industries different kinds of thoughts and philosophies can add value. While in one industry the discussion is how value can be created for the buyer of convenience goods or industrial products, in other industries the discussion is how an optimum functionality of the product or return on investment can be reached. There are a lot of instruments to add value to products, varying from efforts to enlarge customer loyalty or emotional binding with the product, to promoting the product to a status or a beloved brand.

In writing about strategy of the diversified company there is often a reference to the definition, which was formulated by Johnson and Scholes in their book Corporate Strategy (1992). Their definition was widely accepted and they formulated strategy as follows: *Strategy is the direction and scope of an organization over the long term: which achieves [competitive] advantage for the organization through its configuration of resources within a changing environment, to meet the needs of markets and to fulfill stakeholder expectations*. In their definition of strategy they make use of eight key concepts, that we will now elaborate on further in this chapter to explain the difference between strategy for public organizations and private companies. Those eight key concepts are:

- *Direction*
- *Scope*
- *Long Term*
- *Environment*
- *Resources*
- *Competitive Advantage*
- *Organization*
- *Stakeholders*

1.2 Eight key concepts of Strategy

1.2.1 Direction

The direction of a company or organization can be formulated as a path, where action is taken for the future of the company. Two extreme methods for determining the direction are designed and represented by two well-known management gurus, Igor Ansoff and Henry Minzberg. Ansoff (1965, 1991) considers the choice of direction as a sequence of planned steps on the way to a purpose, which is in advance formulated. This kind of planning-process or strategic planning works best in environments which are stable and predictable and in which efficiency is one of the most important subjects of strategic thinking. Many enterprises and organizations are making plans for the future in the short term. The environment is changing faster and faster due to globalization and the virtualization of the world, and that makes strategic planning for the long term more and more difficult and, in some cases, impossible.

In the classical approach of strategic thinking the starting point was the question how the organization can adapt itself to the changing environment. To answer this question first an analysis of the strong and the weak elements of the organization was started and this was followed by a scan of the environment in terms of an analysis of the opportunities and threats. Based on these analyses there was a strategy formulation in which goals for the organization were formulated.

The future is not a linear process. Environments are changing constantly and therefore goals for the future have to be adapted constantly. This process of dynamic future planning can be described as crafting.

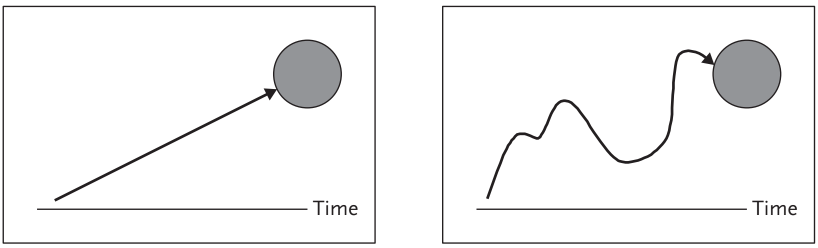

Figure 1.1 Direction of strategy
Source: *Mintzberg, 2002*

In the second half of the 20th century, insight revealed strategy as a continual process of change and adapting. A planned strategy is a strategy that is formulated in advance and then executed. This way of strategic thinking is described as static. A patron that is recognizable afterwards by comparing the kind of decisions, which were taken, characterizes a spontaneous strategy. In this case the organization has no clear outlined strategic plan, but approaches the reality with a mindset that is open for change and is able to adapt to the changing environment. This way of strategic thinking is described as dynamic.

1.2.2 Scope

The choice or determination of the market or a segment of society, better described as the definition of the business scope, is one of the three most important starting points of strategy. After the formulation of the vision and mission, the model of Abell defines the business in which the company will be active. Abell's business definition framework proposes that a business can be defined by using three dimensions: customer groups (*who* we're going to serve), customer needs (*what* customer need we're attempting to meet), and technology or distinctive competencies (*how* we're going to meet that need). This approach strongly stresses understanding customers and not on an industry and its products or services. Based on these three dimensions, Abell's competitive strategy classification scheme proposed that a business could be defined by its competitive scope (broad or narrow) and by the extent of competitive differentiation of its product and service offerings. Abell's strict marketing emphasis limits his business definition framework as a widely used and general approach to describing organizations' competitive strategies. But it did provide clues to two important aspects of competitive strategy: competitive scope and level of product differentiation.

In most industries or sectors the Abell-framework is widely used, but is also used in the public sector. The question of 'who are my customers, what are their needs and how can I be distinctive' is also applicable on the service department of town halls, non-governmental organisations or institutes that are orientated on societal activities. In the public sector it is also important to ask what is the demarcation of the market or societal segment, what are the special characteristics of buyers and users, and what kind of value they appreciate in the product or service offered. *Knowledge of the industry and the market, or knowledge of society and segment, enable organisations to distinguish themselves from competitors.*

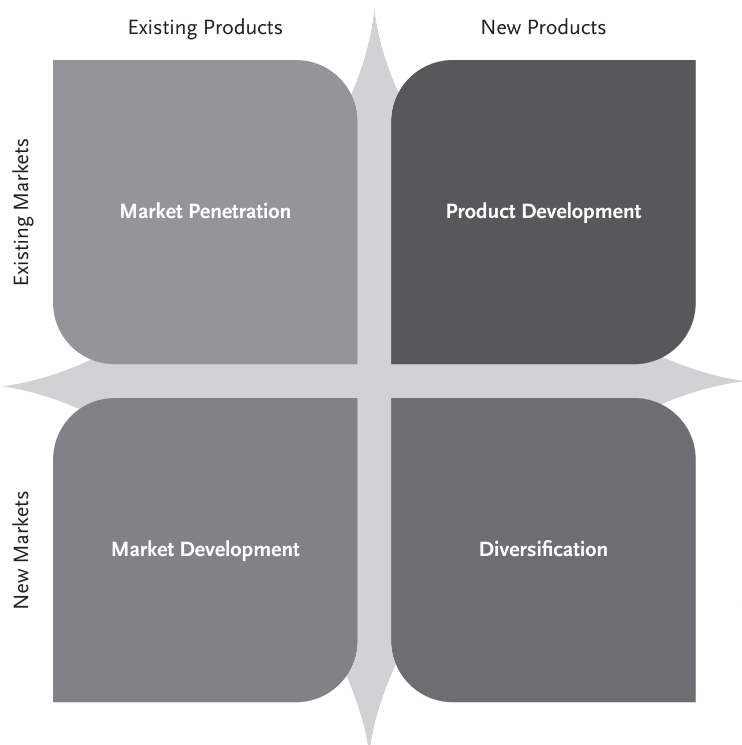

Figure 1.2 Ansoff Matrix
Source: *Veldman, 2010*

The growth-model by Igor Ansoff is widely used for the description of how the organisation can achieve growth in their scope. Ansoff distinguishes the following strategies for growth:

1. *Market penetration:* Increasing market share for a firm's products in its existing markets. Several approaches help to achieve this, including product improvement; updating and building/improving existing products.
2. *New product development:* developing new products for existing markets.
3. *Market development:* finding and developing new markets for current product lines. This is most suitable when existing products require only minor modifications to be suitable for new, overseas markets. It also helps if the product life cycle is similar in the different markets that the business serves. This will not always be the case.
4. *Diversification:* developing new product markets outside the existing business. A firm will pursue this strategy where new markets are highly attractive. To do so, it may switch resources from some of its existing markets that it believes to be in permanent decline.

1.2.3 Long – Term

Organizations have to think about the future with the purpose to enlarge their ability and skills of estimating what kind of future changes will be taking place and how the organization can react to those future changes. Besides this, within the organization there is a kind of consciousness that change is very hard and change for long-term purposes is even harder. On one hand, it is difficult to make decisions for future situations. Those decisions are difficult for managers to explain to employers and to themselves. On the other hand, organizations need a focus on change, simply, because environments are constantly changing. The history of decisions taken has a great impact on the future of the company or the organization.

Talking about the future is talking about strategic planning. Knowledge about the future means knowledge about what kind of investments the organization is in need of. Differentiation in the long term is often made in relationship to what kind of investments the company needs. For the short and medium -term, the company needs replacement investments. For the long – term the company needs investments for expansion, or investment to respond to the requirements of the environment in the strategic horizon. Core questions, which have to be asked for strategy formulation in the long term, are:

1. What is the current situation of the organization or the company, what is the current position on the market or the societal segment, what are the competitive and corporation advantages, what is the distinctive edge and how and in

what aspects the company or organization has to be changed to fulfill the requirements which are required in three or four years?
2. What will happen to the company or organization within one, two or three years if there is no change in strategy?

If the answers to these questions are not acceptable, consider what kind of action the company is in need of, to bridge the gap between existing situation and the desired situation. Briefly, long term relates to the insight into the development of time and at what moments certain investments the company needs to make to be prepared for the future.

1.2.4 Environment

The environment can be analyzed on three levels: macro-, meso-, and micro-level. To analyze the macro environment, there are different kinds of tools, like the STEP method in which the social-cultural, technological, economical, political factors or trends are taken into account. When the ecological, legal, and demographic factors are taken into account, if forms the acronym PESTELD.

On the meso-level, the industry or sector is analyzed. For the industry of real estate there can be a division of markets into investors, developers, engineers, finance etc. For the industry of flowers there are markets in logistics, intermediaries, exporters, etc. For the public sector the meso-level is the sector of the society, for example education. A lot of participants are active in this sector, such as educators, private and public institutes, publishers, students-organizations etc.

On micro-level the company is busy with positioning and how market share can be kept, enlarged or quit. For education this means that you asked how a higher university of applied science can improve itself in terms of organization, market-share, innovation, etc.

1.2.5 Competitive Advantage

Simply, a defendable competitive advantage means that a company or organization is good at something and better at this than its competitors. It is important for every organization, public and private, that their performance is measured. In the context of strategic management, this means that a corporation and a public organization has to think in comparative advantages, which are difficult to copy by other companies.

There is an important difference between a strong attribute of the company and a defendable competitive advantage. To achieve such an advantage two conditions have to be fulfilled: the competitors do not have that strong feature and the strong characteristic is of importance or relevance for the final buyers. A company can be very good at something, but when it is not relevant for the final buyers, it does not have much importance. Strategy for most companies implies threat to a competitive advantage in the long term.

The concept of competitive advantage is closely related to the term positioning. Positioning means to develop an image in the minds of the target group. Important to positioning is how the benefits are received in the perceptions of the final users. Positioning takes place on three levels:

1. *Corporate Positioning:* the positioning of the organization or the company in the perception of different stakeholders. This positioning is closely related to the corporate strategy and the corporate mission.
2. *Corporate brand positioning:* the positioning of the company or organization with the brand of the company (e.g. Apple, Philips, Higher University of Amsterdam, European Association of Aerospace, etc.). This kind of positioning is also closely related with the strategy formulation of the company.
3. *Brand positioning:* the positioning of brands or products, which are closely related to the marketing strategy of the company.

1.2.6 Organization

The main question is: how does the internal organization contributes to the intended strategy, or how does it make strategy formulation possible? The success of strategy depends on the internal implementation and the coordination of the different departments in the execution of the strategy. The organization of the corporation has to pave the way for healthy and profitable management. Examples of organizational issues are: the structure of the corporation, the culture within departments, the support of the management information system and the corporation within the departments. The organization of the company has to be designed in such a way that the operational activities fit the formulated purposes and strategy. The internal organization determines the success of the implementation and execution of the formulated strategy.

1.2.7 Resources

In most industries there is a positive correlation between ROI and market share on one hand and competitive power on the other hand. This leads to the question of why some companies are able to get a larger market share, why they are more successful to be unique and why they are able to produce and deliver products and services of more quality than those of their competitors? The central question of strategic management is: what are the resources of a sustainable competitive advantage? The answer is formulated within the resource- based view. This is a conviction that effective and efficient application of the useful resources, that the company can master, helps to determine its competitive advantage. The resource-based view, as a basis for the competitive advantage of a firm, lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal. To achieve a competitive advantage with resources, or have resources that can be attributed to the competitive advantage of a firm, the following characteristics should apply:

- *Valuable:* a resource must enable a firm or an organization to employ a value-creating strategy, by either outperforming its competitors or reduce its own weaknesses.
- *Rare:* to be of value, a resource must be rare by definition. In a perfectly competitive strategic market for a resource, the price of the resource will be a reflection of the expected discounted future above-average returns. For the public sector it means that some organizations are experts in the developing of some services.
- *In-imitable:* if a valuable resource is controlled by only one firm, it could be a source of a competitive advantage. In public sector there is a specialization in education, healthcare, youth care, etc.
- *Non-substitutable:* even if a resource is rare, potentially value-creating and imperfectly imitable, an equally important aspect is lack of substitutability.

Briefly, the firm has to identify its resources in terms of distinctiveness and in the ability to add value as a base of competitive advantage and superior performance.

Management's strategic role
- Key resources indentification
- Key resources development and protection
- Key resources deployment

	Key Resources		
	Tangible Assets	**Intangible Assets**	**Capabilities**
Value	Value recognised in the balance sheet	Value results from reputation and client trust	Value is embodied in the culture of the firm and the combined knowledge and skills of the employees
Barriers to Duplication	Easy for rivals to identify and duplicate	Unique and complex resources create inimitability	Tactitness and casual ambiguity create inimitability
Appropriability	Fully appropriated by the firm	Value remains within the firm due to resource inimitability and succes in retaining key personnel	Ownership structure reinforces inimitability enabling the firm to appropriate value

Sustainable competitive advantage

Value to clients – consistently high performance

Superior performance

Market performance-rate of return relative to competitors

Figure 1.3 Key Resources

Source: *12Manage*

1.2.8 Stakeholders

Stakeholders have a direct and indirect interest in and relation with the organization, and are decisive for the success of the organization or company. Employers, customers, unions, banks, other companies, government, shareholders, local citizens, and others are of immense importance of the position of the company. For every organization it is of importance to identify the most important stakeholders. In a classical sense there are two theories in the identification of those who are important for the company:

Theory of stakeholders in public and private sector:
Stakeholder analysis:

It is a definition that refers to any person or organization, which can be positively or negatively impacted by, or cause an impact on the actions of a company, government, or organization. Types of stakeholders are:

- *Primary stakeholders:* are those ultimately affected, either positively or negatively by an organization's actions.
- *Secondary stakeholders:* are the 'intermediaries', that are persons or organizations, who are indirectly affected by an organization's actions.
- *Key stakeholders:* (who can also belong to the first two groups) have significant influence upon or importance within an organization.

A well-known method of stakeholder mapping is the one which use power and interest as criteria for the mapping.

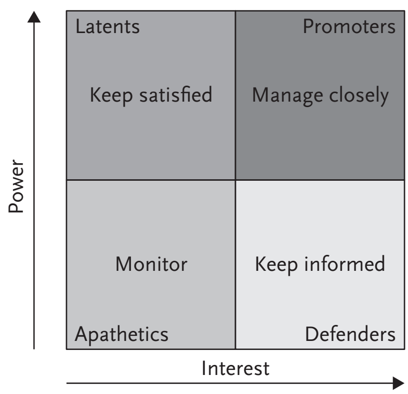

Figure 1.4 Stakeholder map
Source: *http://www.stakeholdermap.com*

There are all kind of dimensions, which can be used for a stakeholder analysis and matrix. Some of the commonly used 'dimensions' include:

- *Power* (high, medium, low)
- *Support* (positive, neutral, negative)
- *Influence* (high or low)
- *Need* (strong, medium, weak)

The following list identifies some of the best-known and most commonly used methods for stakeholder mapping:

- Power to influence, the legitimacy of each stakeholder's relationship with the organization, and the urgency of the stakeholder's claim on the organization.
- Based on needs and the relative importance of stakeholders to others in the network.
- Classify stakeholders according to potential for threat and potential for cooperation, and the influence leading to strategies for communication and assessing stakeholder satisfaction, and who is aware or ignorant and whether their attitude is supportive or opposing.

1.2.9 Clustering of the key concepts

By clustering the discussed key concepts, it is possible to formulate three tests with questions, which have to be answered by the company. The tests are:

- *The ambition test*
- *Positioning test*
- *Configuration test*

The strategic ambition of the company or organization can be measured by the device of direction, formulation of strategic goals and the vision for the future. At board level the question has to be asked in which way and how can the organization cope with uncertainty and react in the long term. The following questions therefore has to be asked: Does the company have a certain vision or clear purpose in mind of the specific assets that have to be invested in, and what is the expected return on Investment?

The positioning test can be measured with questions as: is the organization aware of and able to deal with the changing environment, what is the distinctive edge of the company or organization and what is the relation between scope and economies of scale.

The Configuration test is a test about how the company can link the intended strategy with the implementation. The relevant questions for this test are: who are the important stakeholders, does the company have the resources to develop a competitive advantage, are the different departments within the company cooperating with each other, and is there a consensus in perceptions of strategy.

The Clustering of the key concepts can be presented in the following framework for the development of strategy, with the key question:

How to get consistency between the eight key concepts?

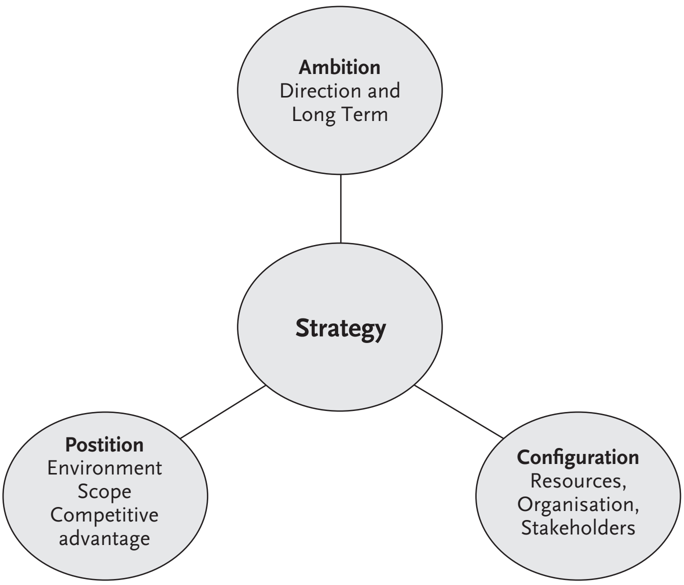

Figure 1.5 Eight key concepts

Source: *Veldman, Szabo, 2014*

Summary of the 8 key concepts in the public and private sector

Some concepts could be interpreted and used in both sectors, while some of them could be clearly used only in the private or the public sector. The following table provides an overview of the 8 key concepts and their applications in the different sectors. The darker the shade, the more applicable the concept is in the certain sector.

Eight Key Concepts	Strategy Private Sector	Strategy Public Sector	Explanation
Direction			Companies change faster than public organizations.
Scope			Market definition is essential for the private sector, the public is more broadly defined.
Long Term			Due to rapidly changing industries private strategy is changing faster than public strategy.
Environment			Public strategy is a result of players in society, strongly influenced by it.
Competitive Advantage			Where private strategy is aimed at under-resolution, public is focused on task-ability.
Organization			Companies adapt and change more than public organizations.
Stakeholders			Equally important and decisive.
Resources			Private strategy is driven by the source of knowledge, public strategy exists through the sources of knowledge.

Chapter review and key terms

Learning Objectives

1. Students should know that there are many views on strategy, and in the course of time these views have changed

Strategy has developed from a static to a dynamic view. Where previously emphasized that strategy related to setting goals and developing a plan to achieve those goals, is now recognized that rapidly changing conditions and therefore planning space must contain in order to change it.

2. Although there are different views on strategy, there is some agreement about the definition of strategy for the public and private sector

In this chapter and the rest of the book, we use the following definition: Strategy is the direction and scope of an organization over the long term: which achieves [competitive] advantage for the organization through its configuration of resources within a changing environment, to meet the needs of markets and to fulfil stakeholder expectations.

3. Students should realize that the eight key concepts in both the public and private sector are applicable, but the way of application can vary

This variation depends on type of organization, type of environment in which the organization functions, stakeholders and the changing conceptions of environment and organization.

4. The student has insight how the eight key concepts relate to one another

The art of a good strategy development is to achieve consistency between ambition (long term direction), positioning (environment, scope, competitive advantage) and configuration (resources, organization, stakeholders).

Discussion questions

1. What are the definitions of strategy and indicate how the concept has evolved over time.
2. Comment on the statement: Strategy is about value creation and competition.
3. Briefly discuss the eight key concepts and apply them briefly on the following private and public organizations: Apple and Toyota, Ministry of Social Affairs and Red Cross.
4. Briefly describe why the consistency among the eight key concepts is so important.
5. What are the main differences in applying the eight key concepts in the public and private sector?
6. How would you get the maximum value for a private and a public organization?
7. What is the relationship between competitive advantage and scope?
8. What is the relationship between organization and stakeholders?
9. Why do public organizations often think more in a longer term than private organizations?
10. What do you think is the most suitable definition of strategy?

Case study 1: AliBaba and the stock exchange

Now that Chinese firm Alibaba goes public, the CEO and founder Jack Ma is getting more attention. Like every CEO in the Internet world Jack Ma has his own special story. Ma brought Alibaba in fifteen years – the creation in 1999 – to a market value of $200 billion. That's a third of the current value of Apple's show. This means Alibaba has the potential perhaps to become most valuable company in the world. As Apple CEO Steve Jobs had a personal story with Apple, Jack Ma has one too. Ma was initially rejected by Harvard as a student and failed twice for his matriculation. Eventually he started his career as an English teacher. In 1999, many people declared Ma mad when he was going to build his own e-commerce site in China. Now Alibaba is experiencing one of the largest IPOs in history. Alibaba dominates a large part of the e-commerce and Internet market in China. Internet penetration among Chinese consumers has exploded in the last five years. For example, China has 600 million mobile Internet connected consumers. This means Alibaba has a larger domestic market than anyone else.

There are more similarities between Steve Jobs and Jack Ma. Jobs started out with Steve Wozniak in the garage of his father, Ma started Alibaba from a small apartment in Hangzhou. The question is how an English teacher with a small company can grow into a technology giant worth 200 billion. The story begins in 1995, when Internet is barely known and Ma searched for the words 'beer' and 'China'. He could not find any relevant information and results were coming up about beer from Germany and the United States. Then Ma decided to build a webpage in a Chinese language. Within hours of the launch of the website, he received questions from around the world. It gave Ma the insight that the Internet was a phenomenon that would change China.

A few years later in 1999, Ma gathered 17 friends and acquaintances in his apartment to talk about a new idea. Jack Ma wanted to build a website to connect Chinese exporters with foreign buyers. He was looking for a solution to the difficult communication between Chinese companies and foreign buyers. The developed website was the birth of Alibaba. Ma has always been proud of his humble origins and his simple start with the company. When Alibaba launched Ma had no money, no experience in technology and a chaotic management style. But he had another great quality, and that was charisma. He had the talent to be in a space to indicate that he personally spoke to them. Everyone felt Ma appeared as a consummate comedian to bind an audience. Through his presentation, talent and language skills Jack Ma was able – like Steve Jobs – to sell his dream on stage.

Nowadays, Ma is 49 years old and he has two children. In his management style, he goes off his instinct. He attaches little value to formal rules but judges much more based on his feeling. Ma has managed to draw many young talented managers. Ma also managed to grow strong culture within the company. Employees are 'Ali people' and managers all have nicknames books from popular Chinese Martial Arts. The martial Ma also got his inspiration for the strategy of Alibaba. Ma is very competitive and believes that Chinese companies might beat international competition.

Since the American company eBay appeared in China in 2003, Ma was convinced that Alibaba could offer better alternative. In a phenomenal sense, he explained his strategy: "eBay is a shark in the ocean; we are a crocodile in the Yangtze River. If we fight in the ocean, we will lose, if we fight in the river, we will win.". His team came back to him with a platform called Taobao. This platform was much better suited to the local Chinese market than that of eBay. After a few years eBay departed the Chinese market.

Alibaba currently has 22,000 employees and 90 offices. In 2013, Taobao processed $177 billion in transactions between users of the site. The platforms of Taobao and the company Tmall.com have 80% of all online retail sales in hands. Each time, more than 100 million customers visit those sites. In addition, Alibaba offers many other Internet services such as e-payment, an investment fund, cloud services and mobile services. Because he had experienced how difficult it was to launch his company Ma created a loan fund for new businesses. Also Alibaba now entered the world of entertainment and sport. Alibaba has its own football club and acquired several media companies.

Source: *Techonomy Digital Economics, October 11, 2013*

Case questions

1. Can you briefly describe the strategy of Alibaba?
2. Why is the following sentence about the strategy of Alibaba considered phenomenal? "EBay is a shark in the ocean; we are a crocodile in the Yangtze River. If we fight in the ocean, we will lose, if we fight in the river, we will win."
3. Alibaba is an example of private strategy, but in the background public sector also plays an important role. Can you explain that?
4. What elements of the eight key concepts you will mainly apply to Alibaba?
5. Which companies will be closely watching the IPO of Alibaba?

Case study 2: Strategy Doctors Without Borders

MEDECINS SANS FRONTIERES
DOCTORS WITHOUT BORDERS

STRATEGIC PLAN

The strategy of DWB (and its partners within the Operational Centre Amsterdam,) every four years, is established in the so-called Strategic Plan.

THE MAIN PRIORITIES OF THE STRATEGIC PLAN 2011-2014 ARE:

1. pay more attention to getting and maintaining access to people in crisis areas
2. be prepared for an increase in the number of medical emergencies in the world, climate change and urbanization. For example, by floods and long droughts large groups of people in a short time can be taken. In urban areas, epidemics can quickly spread like wildfire.
3. the need to do against a number of diseases that have a major impact in the countries where we work more and lead to emergencies. This is especially true for tuberculosis, sleeping sickness and kala-azar.
4. more medical staff leadership roles within DWB appoint
5. reduce complexity of the organization
6. long-term investments in projects and headquarters to keep our work effective and relevant
7. strengthening our capacity to respond to emergencies immediately as we expect the number of natural disasters and epidemics will increase. Our reserve was between 15 and 20 percent of our income and FTEs. Invest in expanding our capabilities in the field of surgery.

Case questions

1. Are the above mentioned examples real strategies or more operational decisions?
2. How would you describe the strategy of DWB based on the eight key concepts?
3. How would you define the added value of DWB?
4. How would you write a good strategic plan for this organization?
5. As much DWB also a public organization its strategy contains many elements from the private sector. Can you explain this?

2 Ten schools of strategy

In management practice there are different ways to approach strategy formulation, and a general understanding of strategy is important both in the public and private sector. This chapter will specifically focus on the ten schools of strategy introduced by Henry Mintzberg in 1998. His book entitled Strategy Safari describes ten ways of strategy formulation from its own limited perspective. Our analysis will provide a general overview of the ten different schools of thought including the limitations and the usefulness for private and public sector managers.

Mintzberg's ten schools could be divided into three categories: prescriptive, descriptive and a combination of both. The first three schools (design, planning, positioning) are prescriptive in nature focusing on how strategies should be formulated. The next six schools (entrepreneurial, cognitive, learning, power, cultural, environmental) are more descriptive as they are concerned with the way how strategies are actually made. The last school of thought, the configuration school, integrates the features of the other schools and cluster the different elements of strategy formation: organizational context, structure and the content of the strategies.

During the development of strategic management, all schools appeared in the academic literature. Some of them dominated academic journals and books for many years, while others peaked early and declined. The following graphs (Figure 2.1) shows the development cycle of each schools of thought from the early 1960s.