

The three levels of business strategy

Description

What kind of strategy do you apply at work?

By **Angela Civitella**

You've probably heard the term "business strategy" used in the workplace.

But what *is* strategy, exactly? And are you aware that you need different types of strategy at different levels within your organization?

In this article, we're looking at some common definitions of strategy. We'll focus on three strategic levels – corporate strategy, business unit strategy, and team strategy – and we'll look at some of the core tools and models associated with each area.

But what *is* strategy, exactly? And are you aware that you need different types of strategy at different levels within your organization?

Defining strategy

Strategy has been studied for years by business leaders and by business theorists. Yet, because people think about strategy in different ways, there is no definitive answer about what it really is.

For instance, some people believe that you must analyze the present carefully, anticipate changes in your market or industry, and, from this, plan how you'll succeed in the future.

Meanwhile, others think that the future is just too difficult to predict, and they prefer to evolve their strategies organically.

Experts say that strategy determines the direction and scope of an organization over the long term, and that it



should determine how resources should be configured to meet the needs of markets and stakeholders.

What is emphasized is the need for strategy to define and communicate an organization's unique position, and to determine how organizational resources, skills, and competencies should be combined to create a competitive advantage.

It is believed that planning for success in the marketplace is important; and that, to take full advantage of the opportunities open to them, organizations need to anticipate and prepare for the future at all levels.

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For instance, many successful and productive organizations have a corporate strategy to guide the big picture. Each business unit within the organization then has a business unit strategy, which its leaders use to determine how they will compete in their individual markets.

In turn, each team should have its own strategy to ensure that its day-to-day activities help move the organization in the right direction.

At each level, though, a simple definition of strategy can be: "Determining how we are going to win in the period ahead."

We'll now look more deeply at each level of strategy – corporate, business unit, and team.

Corporate strategy

In business, corporate strategy refers to the overall strategy of an organization that is made up of multiple business units, operating in multiple markets. It determines how the corporation as a whole supports and enhances the value of the business units within it; and it answers the question "How do we structure the overall business, so that all of its parts create more value together than they would individually?"

Corporations can support and enhance the value of the business units by building strong internal competences, by sharing technologies and resources between business units, by raising capital cost-effectively, by developing and nurturing a strong corporate brand, and so on.

So, at this level of strategy, we're concerned with thinking about how the business units within the corporation should fit together and understanding how resources should be deployed to create the greatest possible value.

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The organizational structure is another important strategic factor that needs to be considered at this level. The way in which the company, employees and other resources are prioritized has an impact on its competitive advantage and the achievement of its strategic objectives.

Business unit strategy



Strategy at the business unit level is concerned with competing successfully in individual markets, and it addresses the question, “How do we win in this market?” However, this strategy needs to be linked to the objectives identified in the corporate level strategy.

Competitive analysis, including gathering competitive intelligence, is a great starting point for developing a business unit strategy. As part of this, it's important to think about your core competencies, and how you can use these to meet your customers' needs in the best possible way.

NOTE

For smaller businesses, corporate and business unit strategy may overlap or be the same thing. However, if an organization is competing in different markets, then each business unit needs to think about its own strategic direction.

It's important, though, that each business unit's strategy is aligned with the overall strategy of the corporation, particularly where the corporation's brand is important.

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Your business unit strategy will likely be the most visible level of strategy within each business area. People working within each unit should be able to draw direct links between this strategy and the work that they're doing. When people understand how they can help their business unit “win”, you have the basis for a highly productive and motivated workforce. As such, it's important to have a clear definition of the business unit's mission, vision and values.

Team strategy

To execute your corporate and business unit strategies successfully, you need teams throughout your organization to work together. Each of these teams has a different contribution to make, meaning that each team needs to have its own team-level strategy, however simple.

This team strategy must lead directly to the achievement of business unit and corporate strategies, meaning that all levels of strategy support and enhance each other to ensure that the organization is successful.

The team needs to be working efficiently to achieve the strategic objectives that have been set at higher levels of the organization; so, an important element of your team strategy is to implement best practices to help your team to meet its objectives. Activities that optimize supplier management, quality, and operational excellence are also important factors in creating and executing an effective team strategy.

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Key Points

Strategy can be difficult to define, but a good definition is: “Determining how we will win in the period ahead.”



In business there are different levels of strategy. Each of these has a different focus and needs different tools and skills.

Corporate strategy focuses on the organization as a whole, while business unit strategy focuses on an individual business unit or market.

Finally, team strategy identifies how a team will help the organization meet its overall goals and objectives.

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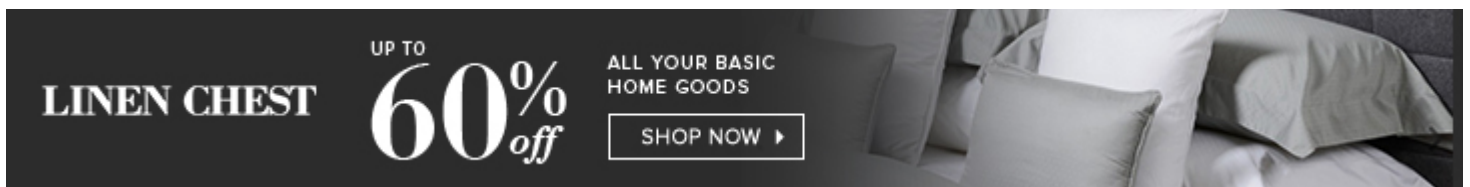


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1. Angela Civitella
2. business strategy
3. Business unit strategy
4. Corporate strategy
5. Team strategy

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