

VIRTUAL GUIDE  
Learning unit 4  
Lesson 1

# Important Issues for entrepreneurship



Innovative smart textiles & entrepreneurship

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## 1. The origin of strategy

*“Strategy (from Greek στρατηγία stratēgia, “art of troop leader; office of general, command, generalship”) is a high-level plan to achieve one or more goals under conditions of uncertainty. In the sense of the “art of the general”, which included several subsets of skills including “tactics”, siege craft, logistics etc. The term came into use in the 6th century C.E. in East Roman terminology and was translated into Western vernacular languages only in the 18th century. From then until the 20th century, the word “strategy” came to denote “a comprehensive way to try to pursue political ends, including the threat or actual use of force, in a dialectic of wills” in a military conflict, in which both adversaries interact.” (Liddell et al., 1995).*

## 2. Definitions of strategy

Strategy is defined by Johnson, Scholes and Whittington (2008) as the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. This definition sounds as if it were designed specifically for commercial purposes and organisations, however, it is the same basic concept that is applied in the public sector and non-profit organisations. The ultimate aim of this plan is to fulfill stakeholder expectations. This definition emphasizes the importance of having a long-term plan that takes into account the changing environment and the organization's resources and competences to achieve its goals and meet stakeholder expectations.

Strategy as a term, is wide and vague when it comes to be implemented in many different sectors, therefore the industrial world, uses the term business strategy. Defined as the creation of a unique and valuable position, involving a different set of activities or performing in a different way than the rivals, similar activities (Porter, 1996). The concept of business strategy is closely related to the broader concept of strategy. Business strategy refers to the specific strategies that a business uses to compete in its industry or market (Porter, 1996).

It involves making choices about how to allocate resources, how to differentiate the business from competitors, and how to create value for customers. Michael Porter (1996) argues that the essence of strategy is in the activities - choosing to perform activities differently or to perform different activities than rivals. Porter defines strategy as the creation of a unique and valuable position, involving a different set of activities. On the other hand, some scholars view strategy as a pattern in a stream of decisions, to contrast with a view of strategy as planning. They argue that strategy is about shaping the future and finding, formulating, and developing a doctrine that will ensure long-term success if followed

### 3. The vocabulary of strategy

In business strategy the different set of activities come into three big categories, TERM, DEFINITION and PERSONAL EXAMPLE (Johnson et al., 2008). Each individual or organisation must understand and divide their set of thoughts accordingly and understand the nature of their actions, if they wish to have a clear set of mind and process. For example, Nokia's mission once was to be "Connecting people" by making users to share content, stay in touch and communicate. The strategy was that the customers were Nokia's top priority hence the focus on consumer understanding in line with Nokia's portfolio to create winning devices, embrace consumer internet services and build scale networks and expand professional services. By combining the mindset of how personal goals are set, for achieving personal improvement, an organisation must see its existence as whole and act accordingly.

It is part of human nature to look for a grouped vocabulary to conduct the thoughts and put actions in place, for every concept. Most of the standard textbooks on strategy offer that definition, usually presented in the introductory chapter, as follows: "top management's plans to attain outcomes consistent with the organization's missions and goals" (Wright et al., 1992). In order to formulate a strategy out of its definition and vocabulary, one will most probably define strategy as a plan, or something equivalent—a direction, a guide or course of action into the future, a path to get from here to there. However, these terms change when put into action and when asked to describe the strategy that an organization or that of a competitor pursued.

The tend to reply to both cases by giving strategy a different definition poses the oblivious point of view to the fact that it is misunderstood after al. It turns out that strategy is one of those words that people inevitably define in one way yet often also use in another. Strategy is a pattern, that is, consistency in behaviour over time. "Strategy is the creation of a unique and valuable position, involving a different set of activities" (Wright et al., 1992). "Changing position within perspective may be easy; changing perspective, even while trying to maintain position, is not" (Wright et al., 1992). As perspective, in contrast, strategy looks inside the organization, indeed, inside the heads of the strategists, but it also looks up to the grand vision of the enterprise. Thus, we have four different definitions of strategy. A fifth is in common usage too: strategy is a ploy, that is, a specific "maneuvre" intended to outwit an opponent or competitor (Wright et al., 1992).

*In management theory, the word strategy is scoped through different point of views. As a plan, as a pattern, as a position taken, as a ploy and as a perspective. Each point of view claims different meanings for strategy, for example, when a strategy is used as ploy, it is to outwit the competitor but when it's used to claim a position, it aims to compete or collaborate with local products, brands, or other stakeholders (Mintzberg et al., 1998).*

### 4. Paradigms in strategy formulation

For a group or organisation to operate effectively there has to be such a generally accepted set of assumptions. In effect, it represents collective experience without which people who work together in an organisation would have to 'reinvent their world' for different circumstances they face. Rather like individual experience, collective experience, or the paradigm, is applied

to a given situation to make sense of it. This affects what people in organisations see as important, what they respond to and therefore to how strategies develop. The forces at work in the environment, and the organisation's capabilities in coping with these, are made sense of in terms of the experience of managers and the organisation's paradigm (Johnson et al., 2005). And organisational responses tend to be in line with that paradigm and embedded routines. However, environmental forces and organisational capabilities (or lack of them), while having this indirect influence on strategy formulation, nonetheless impact on organisational performance more directly. For example, many commentators suggested that the problems that beset Marks and Spencer (M&S) in the late 1990s were the result of just such a situation. Their managers were accused of being over-wedded to M&S ways of thinking and behaving, resulting in an inability to identify or take seriously changes in consumer expectations and the incursions of competitors on their traditional customer base (Johnson et al., 2005).

Paradigms are defined as a framework with rules that are not on paper, but direct actions. Strategy formulation is when an organisation is making plans and decisions concerned with growing advantages, competencies and the organisation's strategic goals and plans. Outside factors, either opportunities and threats, strengths and weaknesses, environmental forces or organisational capabilities, form the route that will be followed (Johnson et al., 2005).

According to pioneer of strategy, Mintzberg, an organisation is stepping from strategic planning, to executing plans, and finally realising its strategy, by receiving unrealised and emergent strategies in the middle. An intended strategy is the strategy that an organization hopes to execute. Intended strategies are usually described in detail within an organization's strategic plan (Edwards, 2014). When a strategic plan is created for a new venture, it is called a business plan. An emergent strategy is an unplanned strategy that arises in response to unexpected opportunities and challenges. Sometimes emergent strategies result in disasters (Edwards, 2014).

A realized strategy is the strategy that an organization actually follows. Realized strategies are a product of a firm's intended strategy (i.e., what the firm planned to do), the firm's deliberate strategy (i.e., the parts of the intended strategy that the firm continues to pursue over time), and its emergent strategy (i.e., what the firm did in reaction to unexpected opportunities and challenges) (Edwards, 2014).

A nonrealized strategy refers to the abandoned parts of the intended strategy (Edwards, 2014).

Mintzberg and Waters describe an emergent strategy as consistencies that come from an organisation's behaviour over a specific time, despite the behaviours never explicitly intended. The model also considers the unrealised part of strategy as the source of emergent reality that shapes different patterns in the absence of intentions.

Emergent and unrealised strategies bring organisation to realise that structured models must be followed. And that is because:

- People become stupid at work
- People stop thinking in groups

- People fail to deliver in new constellations
- Everybody thinks someone else will fix it

## 5. Strategic planning

Strategic planning in an organization involves the process of outlining its strategic direction, making choices about resource allocation, and ultimately working toward achieving its strategic objectives.

The concept of strategy can be defined in various ways, but it typically encompasses the establishment of strategic objectives, the identification of actions required to accomplish these objectives, the creation of a timeline for implementation, and the mobilization of resources for executing these actions. Essentially, a strategy outlines the method by which goals will be reached through the utilization of available resources within a specified timeframe. Frequently, strategic planning takes a long-term perspective, with organizational action plans set for a period extending from two to five years into the future.

A robust strategic plan sets the organization on the path to success, offering clear definition and alignment at all organizational levels.

There are five critical components in strategic planning:



### *Vision:*

An organization's vision statement represents an inspiring portrayal of its future aspirations. This vision statement acts as a definitive compass for making decisions in the present and future, serving as a roadmap for the organization's long-term destination. It not only establishes the direction but also offers a guiding light.

An example of vision is that of Schoeller Textil AG company as it appears in their website: "Our vision is to sustainably improve people's lives with our textiles and technologies."

Another example of vision is that of BIOSERVO company: “We enhance quality of life by providing power and endurance to the people”.

### *Mission*

While the vision represents a collective objective for the entire organization, the mission outlines the strategy for realizing that vision. The mission is essential because it provides both the purpose (the "why") and the approach (the "how"). Without a clearly defined mission, an organization can struggle with a lack of direction and unity. When each member interprets the vision differently, it can result in conflicting strategies and initiatives.

An example of mission is this of another smart textiles company: “At Sensing Tex, our aim is to democratize the use of soft, flexible and Stretchable Electronics & Artificial Intelligence, unleashing the potential of the Internet of Things (IoT) and enhancing the capabilities of technology in every application. From smart beds to clothes, Sensing Tex develops technology that enables people to communicate and interact with every object in their surroundings to Predict & Prevent”.

### *Objectives*

Objectives refer to precise outcomes that an individual or organization seeks to attain within a designated timeframe. Establishing these objectives upfront enables the company to gauge its progress towards fulfilling its mission and vision. When the objectives are clearly expressed, benchmarks are established that allow the organization to assess its overall well-being and the effectiveness of strategic endeavours.

General examples of objectives of a company can be: Achieving and maintaining profitability, sustaining a consistent cash flow, setting up and upholding productivity, attracting and keeping customers etc

### *Strategy*

Strategy represents an enduring blueprint designed to accomplish the organization's objectives. A successful strategy harmonizes vision with practical implementation, offering a level of detail beyond an organization's broader vision, mission, and objectives. Strategy is rooted in thorough research, meticulous planning, and introspection within the organization. Typically, strategies are confidential and ideally tailored to an organization's unique requirements and the prevailing market conditions.

Typically, strategic plans have a horizon of 3-5 years, and it's common to have distinct plans for each specific objective within the organization.

### *Tactics*

Tactics encompass specific initiatives, projects, or programs that enable organizations to carry out their strategic plan effectively. They serve as the key element for execution, representing the concrete steps taken to bring the strategic plan to fruition.

Compared to “strategy”, tactics tend to be more tangible and frequently revolve around incremental steps and shorter timeframes during the journey.



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### Partnership



#### Project coordinator

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