

## **S t r a t e g y   S e s s i o n   2**

### **U n d e r s t a n d i n g   t h e   C o n c e p t   o f   S t r a t e g y**

## **Exercise: How Do You Define Strategy?**

#### **OBJECTIVE**

This session's reading and exercise provide the opportunity to explore strategy from several points of view. It highlights for the student the different ways in which the term "strategy" is used, and it illustrates the difference between intentional or planned strategies and those strategies that emerge.

**Time: 30 minutes**

#### **ADMINISTRATION**

If used in a session following Strategy Session 1, this exercise can be completed in 15 minutes, since it involves the same Innkeepers of America case. Alternatively, students, on an individual basis before class, can complete the exercise form. Then collect the forms after debriefing for individual assessment.

#### **DEBRIEFING**

In the exercise, students define strategy based on the Innkeepers of America case. To define the strategy, students look for specific statements in the case that are evidence of the different forms of strategy. The statements are then recorded according to the form of strategy in the table contained in the student text.

In addition to exploring strategy from several points of view, Mintzberg's five Ps helps students understand that strategies can "form" in an organization without being consciously intended or planned. According to Mintzberg, if we recognize this, we can pinpoint problem areas and better manage the strategy process within the company's perspective, which is harder to change, as is the personality of individuals. The Innkeepers of America case is an example of an organization that planned one course of action, namely to be a budget hotel in the economy segment of the industry. However, it began to take different actions that moved it away from its intended strategy and position in the industry. By examining strategy from these different viewpoints, the situation in this case becomes clearer.

The debriefing can center on the following issues:

1. Is the intended strategy working (that is, the strategy as a "plan")?

Students will point out that market share and net profit margin are in decline indicating that the strategy is not working. Engage the students about whether the several steps taken by the company will fix the problem, or were the cause of the problem.

Figure 2.1 Solution to Exercise: How Do You Define Strategy?

Form of Strategy	Statements from Case/ Other Evidence or Actions
Plan	<p>“..locates its properties near a major restaurant..”  “Meeting was held to review and recommend courses of action”</p> <p><b>Discussion:</b> These statements suggest that management had a plan and intended to develop another one based on an analysis of the situation at that time.</p>
Pattern	<p>Several actions of management: Breakfast menu with room service, computerized reservation, dropping prices, and discount coupons.</p> <p><b>Discussion:</b> No clear pattern (i.e., consistency) emerges. Actions suggest a move into more service and conveniences and going upscale, while also staying in the low end of the industry in pricing.</p>
Position	<p>“ . . . Innkeepers of America, a medium sized national hotel chain, has operated successfully for many years in the economy segment of the lodging industry.”</p> <p><b>Discussion:</b> The company’s position defines where the organization is located in the industry. Innkeepers of America views itself as belonging to the economy segment.</p>
Perspective	<p>“To meet the new competitive threat, management . . . lowered the price of the hotel rooms by 10% . . . created a new advertising campaign . . . three new positions were created and filled in the customer service department . . . Employees were given shares of the company stock . . . continental breakfast menu was created . . .”</p> <p><b>Discussion:</b> The company’s “personality” or perspective is aggressive and reactionary in terms of defending its position in the industry. The case discusses the various steps management has undertaken to meet the competitive threat. Other than this, the company does seem somewhat confused about whether to defend intended position or seek a new one in an upscale segment.</p>
Ploy	<p>“ . . . lowered the price of hotel rooms by 10% last year and again this year . . . ; “ . . .discount coupons for weekend stays . . .”</p> <p><b>Discussion:</b> Suggests a short-term action by management to meet competition.</p>

2. How do the different definitions help us to understand the strategy that has begun to “form?”

We can pinpoint problem areas as we review the different definitions of strategy outlined in Figure 2.1. These definitions have themselves given us an idea that the company lacks a clear view of its position, and this is the reason new courses of action have emerged. In fact, it appears that a new strategy “plan” will be identified once management completes their present deliberations and arrives at another series of steps to be taken.

Ideally, the five Ps would complement each other. When they do not, they provide clues to problems in the formulation and implementation of the strategy that need to be resolved. In the case at hand, the ‘plan’ and the ‘pattern’ are in conflict. Thus, the five Ps can be used as a diagnostic.

3. What can the CEO do to manage the process at this time?

The CEO needs to manage the process so that the Ps are interrelated and consistent with each other. For example, the organization’s new plan should be supported by decisions that implement the plan. If the new plan is designed to move the company out of the economy segment, then the decision to merge with Economy Lodge, Inc. would be rejected. The company’s aggressive and reactionary behavior must also be monitored to support the position of the company in the industry.

#### ASSESSMENT FORM: STRATEGY SESSION 2

Ask students to complete Assessment Form (a) prior to the start of class or at the end of class. It provides quick feedback to the instructor whether students understand how decisions can influence the firm’s strategic direction.

1. An “emergent” or unintended strategy can replace the strategic direction of the firm when actions do not reinforce the firm’s strategic plan. What two examples do not coincide with the Innkeepers of America intended strategy?

Two examples are the addition of room service and the recommendation that all new hotels planned for construction next year have more features to appeal to an upscale market segment. Both of the action and the recommendation are not in line with strategy as ‘position.’

2. Why is it important for management to understand the five different definitions of strategy?

First, top management’s responsibility is to ensure that decisions reinforce the firm’s plan (intended strategy). Recognizing the different definitions allows management to pinpoint problem areas and to manage the strategy process. Second, if the results are not as expected (for example, profits are declining), understanding the different definitions will help management to better understand the reason for the less favorable results. Is it because the actions have not supported the intended strategy? Or is it because the intended strategy may not have been the best decision?

Name:

**ASSESSMENT FORM: DEFINITIONS OF STRATEGY**

1. An “emergent” or unintended strategy can replace the strategic direction of the firm when actions do not reinforce the firm’s strategic plan. What two examples do not coincide with the Innkeepers of America intended strategy?

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2. Why is it important for management to understand the five different definitions of strategy?

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## STUDENT FEEDBACK FORM

The feedback form for student assessment at the end of this session's notes yields focused responses to very specific questions about the material and its coverage for this and other strategy session classes. Instructors can quickly and easily analyze data from the form and use the results to make timely adjustments in their teaching. Students profit by providing detailed feedback on teaching early enough to benefit from its use. When the results of the class's feedback are shared, instructors can demonstrate their concern with student progress and their willingness to respond to reasonable suggestions.

When this form is used in the early weeks of the class, it can be administered at regular intervals during the semester. The form is best administered during the last five minutes or so of the class, providing more time to analyze and summarize feedback before the next class session.

After the results have been shared with the class, outline the specific action(s) you intend to take in response to student reactions. In carrying out this technique and following up with related adjustments, the instructor provides a role model for students of a professional who is sufficiently self-assured to listen to and learn from his or her students' criticisms, opinions, and insights. Since evaluation is a critical factor in many jobs, students learn to make constructive use of it through the instructor's example.

**Note:** Don't overuse the feedback form. Employ this technique only two or three times at most during your course, since students tend to get tired of the same feedback mechanism.

Name: \_\_\_\_\_

**ASSESSMENT FORM: FOR STUDENTS TO ASSESS THE CLASS AND INSTRUCTOR**

**Directions:** Please respond honestly and constructively to the questions below by circling the response you most agree with in items 1 and 2 and writing brief comments for items 3 and 4.

2. On the scale below, please rate the *clarity* of today's session.

1	2	3	4	5
Totally unclear		Mostly clear		Extremely clear

3. Overall, how *useful* was today's session in helping you learn the material?

1	2	3	4	5
Not useful		Somewhat useful		Extremely useful

4. What did you find most helpful about today's class? (Please list one or two specific examples.)

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5. How could the class have been improved? (Please give one or two specific suggestions.)

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