

## 5. Design and Planning Strategy

Design strategy is a discipline which helps firms determine what to make and do, why do it and how to innovate contextually, both immediately and over the long term. This process involves the interplay between design and business strategy.

While not always required, design strategy often uses social research methods to help ground the results and mitigate the risk of any course of action. The approach has proved useful for companies in a variety of strategic scenarios.

### Application

Design strategy can play a role in helping to resolve the following common problems:

Promoting the adoption of a technology (Example: Toyota designing the hybrid Prius to resemble the conservative Echo instead of making the Prius look high-tech and adventuresome).

Identifying the most important questions that a company's products and services should address (Example: John Rheinfrank of Fitch Design showed Kodak that its disposable cameras didn't exist to replace traditional cameras, but instead to meet specific needs, like weddings, underwater photography and others).

Translating insights into actionable solutions (Example: Jump Associates helped Target turn an understanding of college students into a dorm room line designed by Todd Oldham).

Prioritizing the order in which a portfolio of products and services should be launched (Example: Apple Inc. laid out the iPod+iTunes ecosystem slowly over time, rather than launching all of its pieces at once).

Connecting design efforts to an organization's business strategy (Example: Hewlett-Packard's global design division is focused most intently on designs that simplify technology experiences. This leads to lower manufacturing costs at a time when CEO Mark Hurd is pushing for cost-cutting.)

Integrating design as a fundamental aspect of strategic brand intent (Example: Tom Hardy, Design Strategist, developed the core brand-design principle "Balance of

Reason & Feeling” for Samsung Electronics, together with rational and emotional attributes, to guide design language within a comprehensive brand-design program that inspired differentiation and elevated the company's global image.

## **5.1 Design and Planning**

### **Design**

Design is the creation of a plan or convention for the construction of an object or a system (as in architectural blueprints, engineering drawings, business processes, circuit diagrams and sewing patterns). Design has different connotations in different fields . In some cases the direct construction of an object (as in pottery, engineering, management, cowboy coding and graphic design) is also considered to be design.

More formally design has been defined as follows.

(noun) a specification of an object, manifested by an agent, intended to accomplish goals, in a particular environment, using a set of primitive components, satisfying a set of requirements, subject to constraints;(verb, transitive) to create a design, in an environment (where the designer operates)

Another definition for design is a roadmap or a strategic approach for someone to achieve a unique expectation. It defines the specifications, plans, parameters, costs, activities, processes and how and what to do within legal, political, social, environmental, safety and economic constraints in achieving that objective.

Here, a "specification" can be manifested as either a plan or a finished product, and "primitives" are the elements from which the design object is composed.

With such a broad denotation, there is no universal language or unifying institution for designers of all disciplines. This allows for many differing philosophies and approaches toward the subject.

The person designing is called a designer, which is also a term used for people who work professionally in one of the various design areas, usually also specifying which area is being dealt with (such as a fashion designer, concept designer or web

designer). A designer's sequence of activities is called a design process. The scientific study of design is called design science.

Designing often necessitates considering the aesthetic, functional, economic and sociopolitical dimensions of both the design object and design process. It may involve considerable research, thought, modeling, interactive adjustment, and re-design. Meanwhile, diverse kinds of objects may be designed, including clothing, graphical user interfaces, skyscrapers, corporate identities, business processes and even methods of designing.

## **Planning**

Planning (also called forethought) is the process of thinking about and organizing the activities required to achieve a desired goal.

Planning involves the creation and maintenance of a plan. As such, planning is a fundamental property of intelligent behavior. This thought process is essential to the creation and refinement of a plan, or integration of it with other plans; that is, it combines forecasting of developments with the preparation of scenarios of how to react to them.

An important, albeit often ignored aspect of planning, is the relationship it holds with forecasting. Forecasting can be described as predicting what the future will look like, whereas planning predicts what the future should look like. The counterpart to planning is spontaneous order.

## **5.2 The concept of Corporate Strategy**

Strategic management analyzes the major initiatives taken by a company's top management on behalf of owners, involving resources and performance in internal and external environments. It entails specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, projects and programs. A balanced scorecard is often used to evaluate the overall performance of the business and its progress towards objectives. Recent studies and leading management theorists have advocated that strategy needs to start with stakeholders expectations and use a modified balanced scorecard which includes all stakeholders.

Strategic management is a level of managerial activity below setting goals and above tactics. Strategic management provides overall direction to the enterprise and is closely related to the field of Organization Studies. In the field of business administration it is useful to talk about "strategic consistency" between the organization and its environment or "strategic consistency." According to Arieu "there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context."

"Strategic management is an ongoing process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly [i.e. regularly] to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment." Strategic Management can also be defined as "the identification of the purpose of the organisation and the plans and actions to achieve the purpose. It is that set of managerial decisions and actions that determine the long term performance of a business enterprise. It involves formulating and implementing strategies that will help in aligning the organization and its environment to achieve organisational goals."

Strategic management can depend upon the size of an organization, and the proclivity to change of its business environment. These points are highlighted below:

A global/transnational organization may employ a more structured strategic management model, due to its size, scope of operations, and need to encompass stakeholder views and requirements.

An SME (Small and Medium Enterprise) may employ an entrepreneurial approach. This is due to its comparatively smaller size and scope of operations, as well as possessing fewer resources. An SME's CEO (or general top management) may simply outline a mission, and pursue all activities under that mission.

Whittington (2001) highlighted four approaches to strategic management. These are Classical, Processual, Evolutionary and Systemic approaches.

Mintzberg stated there are prescriptive (what should be) and descriptive (what is) approaches. Prescriptive schools are "one size fits all" approaches that designate "best practice" while descriptive schools describe how strategy is implemented in specific contexts.

No single strategic managerial method dominates, and remains a subjective and context-dependent process.

### **5.3 From the Competitive advantage to the Corporate Strategy**

Corporate strategy, the overall plan for a diversified company, is both the darling and the stepchild of contemporary management practice—the darling because CEOs have been obsessed with diversification since the early 1960s, the stepchild because almost no consensus exists about what corporate strategy is, much less about how a company should formulate it.

A diversified company has two levels of strategy: business unit (or competitive) strategy and corporate (or companywide) strategy. Competitive strategy concerns how to create competitive advantage in each of the businesses in which a company competes. Corporate strategy concerns two different questions: what businesses the corporation should be in and how the corporate office should manage the array of business units.

Corporate strategy is what makes the corporate whole add up to more than the sum of its business unit parts. The track record of corporate strategies has been dismal. I studied the diversification records of 33 large, prestigious U.S. companies over the 1950–1986 period and found that most of them had divested many more acquisitions than they had kept. The corporate strategies of most companies have dissipated instead of created shareholder value.

The need to rethink corporate strategy could hardly be more urgent. By taking over companies and breaking them up, corporate raiders thrive on failed corporate

strategy. Fueled by junk bond financing and growing acceptability, raiders can expose any company to takeover, no matter how large or blue chip.

Recognizing past diversification mistakes, some companies have initiated large-scale restructuring programs. Others have done nothing at all. Whatever the response, the strategic questions persist. Those who have restructured must decide what to do next to avoid repeating the past; those who have done nothing must awake to their vulnerability. To survive, companies must understand what good corporate strategy is.

### **A Sober Picture**

While there is disquiet about the success of corporate strategies, none of the available evidence satisfactorily indicates the success or failure of corporate strategy. Most studies have approached the question by measuring the stock market valuation of mergers, captured in the movement of the stock prices of acquiring companies immediately before and after mergers are announced.

These studies show that the market values mergers as neutral or slightly negative, hardly cause for serious concern.<sup>1</sup> Yet the short-term market reaction is a highly imperfect measure of the long-term success of diversification, and no self-respecting executive would judge a corporate strategy this way.

Studying the diversification programs of a company over a long period of time is a much more telling way to determine whether a corporate strategy has succeeded or failed. My study of 33 companies, many of which have reputations for good management, is a unique look at the track record of major corporations. (For an explanation of the research, see the insert “Where the Data Come From.”) Each company entered an average of 80 new industries and 27 new fields. Just over 70% of the new entries were acquisitions, 22% were start-ups, and 8% were joint ventures. IBM, Exxon, Du Pont, and 3M, for example, focused on start-ups, while ALCO Standard, Beatrice, and Sara Lee diversified almost solely through acquisitions.

## 5.4 Strategic Alliances

A strategic alliance is an agreement between two or more parties to pursue a set of agreed upon objectives need while remaining independent organizations. This form of cooperation lies between Mergers & Acquisition M&A and organic growth.

Partners may provide the strategic alliance with resources such as products, distribution channels, manufacturing capability, project funding, capital equipment, knowledge, expertise, or intellectual property. The alliance is a cooperation or collaboration which aims for a synergy where each partner hopes that the benefits from the alliance will be greater than those from individual efforts. The alliance often involves technology transfer (access to knowledge and expertise), economic specialization, shared expenses and shared risk.

Various terms have been used to describe forms of strategic partnering. These include 'international coalitions' (Porter and Fuller, 1986), 'strategic networks' (Jarillo, 1988) and, most commonly, 'strategic alliances'. Definitions are equally varied. An alliance may be seen as the 'joining of forces and resources, for a specified or indefinite period, to achieve a common objective'.

There are seven general areas in which profit can be made from building alliances.

One typology of strategic alliances conceptualizes them as horizontal, vertical or inter-sectoral:

**Horizontal strategic alliance:** Strategic alliance characterized by the collaboration between two or more firms in the same industry, e.g. the partnership between Sina Corp and Yahoo in order to offer online auction services in China;

**Vertical strategic alliances:** Strategic alliance characterized by the collaboration between two or more firms along the vertical chain, e.g. Caterpillar's provision of manufacturing services to Land Rover;

**Intersectoral strategic alliances:** Strategic alliance characterized by the collaboration between two or more firms neither in the same industry nor related through the vertical chain, e.g. the cooperation of Toys "R" Us with McDonald's in Japan resulting in Toys "R" Us stores with built-in McDonald's restaurants.

Another typology distinguishes between four forms of strategic alliances: joint venture, equity strategic alliance, non-equity strategic alliance, and global strategic alliances:

**Joint venture** is a strategic alliance in which two or more firms create a legally independent company to share some of their resources and capabilities to develop a competitive advantage.

**Equity strategic alliance** is an alliance in which two or more firms own different percentages of the company they have formed by combining some of their resources and capabilities to create a competitive advantage.

**Non-equity strategic alliance** is an alliance in which two or more firms develop a contractual-relationship to share some of their unique resources and capabilities to create a competitive advantage.

**Global Strategic Alliances** working partnerships between companies (often more than two) across national boundaries and increasingly across industries, sometimes formed between company and a foreign government, or among companies and governments.

## **5.5 Strategic Management**

Strategic management analyzes the major initiatives taken by a company's top management on behalf of owners, involving resources and performance in internal and external environments. It entails specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, projects and programs. A balanced scorecard is often used to evaluate the overall performance of the business and its progress towards objectives. Recent studies and leading management theorists have advocated that strategy needs to start with stakeholders expectations and use a modified balanced scorecard which includes all stakeholders.

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and is closely related to the field of Organization Studies. In the field of business administration it is useful to talk about "strategic consistency" between the organization and its environment or "strategic consistency." According to Arieu "there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context."

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### **Concepts/approaches of strategic management**

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No single strategic managerial method dominates, and remains a subjective and context-dependent process.

## **5.6 The Evaluation of Business Strategy**

Business (or Strategic) management is the art, science, and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives. It is the process of specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, projects and programs. Strategic management seeks to coordinate and integrate the activities of the various functional areas of a business in order to achieve long-term organizational objectives. A balanced scorecard is often used to evaluate the overall performance of the business and its progress towards objectives.

Strategic management is the highest level of managerial activity. Strategies are typically planned, crafted or guided by the Chief Executive Officer, approved or authorized by the Board of directors, and then implemented under the supervision of the organization's top management team or senior executives. Strategic management provides overall direction to the enterprise and is closely related to the field of Organization Studies. In the field of business administration it is useful to talk about "strategic alignment" between the organization and its environment or "strategic consistency". According to Arieu (2007), "there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context."

## **5.7 The Professional Organization**

A professional association (also called a professional body, professional organization, or professional society) is usually a nonprofit organization seeking to further a particular profession, the interests of individuals engaged in that profession, and the public interest.

The roles of these professional associations have been variously defined: "A group of people in a learned occupation who are entrusted with maintaining control or oversight of the legitimate practice of the occupation;" also a body acting "to safeguard the public interest;" organizations which "represent the interest of the professional practitioners," and so "act to maintain their own privileged and powerful position as a controlling body." This, in turn, places the burden of enforcing a Profession ban upon these associations as well.

Such bodies generally strive to achieve a balance between these two often conflicting mandates. Though professional bodies often act to protect the public by maintaining and enforcing standards of training and ethics in their profession, they often also act like a cartel or a labor union (trade union) for the members of the profession, though this description is commonly rejected by the body concerned.

Therefore, in certain dispute situations the balance between these two aims may get tipped more in favor of protecting and defending the professionals than in protecting the public. An example can be used to illustrate this. In a dispute between a lawyer and his/her client or between a patient and his/her doctor, the Law Society of England and Wales or the General Medical Council will inevitably find itself plunged into a conflict of interest in (a) its wish to defend the interests of the client, while also (b) wishing to defend the interests, status and privileges of the professional. It is clearly a tough call for it do both.

Many professional bodies are involved in the development and monitoring of professional educational programs, and the updating of skills, and thus perform professional certification to indicate that a person possesses qualifications in the subject area. Sometimes membership of a professional body is synonymous with certification, though not always. Membership of a professional body, as a legal requirement, can in some professions form the primary formal basis for gaining entry to and setting up practice within the profession; see licensure.

Many professional bodies also act as learned societies for the academic disciplines underlying their professions.