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Standardizing the Term "Strategy" in Retail and Business Curriculum

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Abstract

Strategy is a key concept in retail and business education. Yet, this important term has evolved to include many definitions, which can create confusion in the classroom environment. This paper proposes a standardized use of the term "strategy" in retail and business classrooms. It suggests a focused definition of strategy as "the principle that guides and inspires an organization to achieve optimum and long-term business performance by obtaining and sustaining competitive advantages." It also outlines the development and definitions of strategy and discusses issues and concerns regarding the various definitions of strategy in academia. The study supports the need for clarification and efforts to incorporate standardized language into retail and business classroom settings. **Keywords:** Business, Competitive advantage, Curriculum, Education, Pedagogy, Retail, Strategy, Tactics.

1. Introduction

The purpose of this article is to review the commonly used term: "strategy." The use of various definitions and concepts of strategy can create confusion among undergraduate students in retail and business education classes. Business strategy lectures often cover a wide range of topics, such as planning, implementation, management, and financial performance analysis (Campbell, Edgar, & Stonehouse, 2011). Understanding strategy is an important part of these lectures, but vague language and poorly defined contexts can be confusing for undergraduate students, particularly first- and second-year students (Casadesus-Masanell & Ricart, 2010; Mintzberg, 1987b). This article outlines different definitions of "strategy" and proposes a standardized use of the term in a classroom setting. The author suggests teaching undergraduate retail and business students the correct use of the term and the use of a consistent definition of strategy as the principles that guide and inspire an organization to achieve optimum and long-term financial performance (Vilà & Canales, 2008).

2. What is Strategy?

A firm can outperform rivals only if it can prove unique value in comparison with its competitors (Porter, 1996). To do so, a firm must deliver greater value to consumers, create comparable value at a lower cost, or both (Porter, 2008). A firm needs intentional guidelines, or a strategy, to stay competitive in the marketplace (Mintzberg, 1987b). In this view, a strategy comprises a firm's efforts toward a single precise objective: increasing business over the next five years (Vilà & Canales, 2008). That strategy also must articulate the methods for sustaining competitive advantage (Collis & Rukstad, 2008). In essence, this definition of strategy also encompasses a principle of creating superior business performance.

A significant body of literature defines strategy as how firms form business strategies (Mintzberg, 1978; Ocasio & Joseph, 2008). Historically, in the modern management realm, the beginnings of strategy as a specialized concept date back to Alfred Chandler's (1962) book, Strategy and Structure, in which he defined strategy as a conscious plan to align a firm with its environment so that it can exploit opportunities and manage threats. His research has contributed to subsequent business strategy literature and has provided insight into how the chemical company Du Pont, the automobile manufacturer General Motors, the energy company Standard Oil of New Jersey, and the retailer Sears Roebuck managed their growth and diversification strategies (Chandler, 1990).

Michael Porter's (1996) seminal work, which analyzes competitive strategies, also is important when defining strategy formation. Porter (1996) defines the essence of strategy as "unique positioning" and "choosing to perform activities differently than rivals do" (p. 64). His model of the Five Forces that shape a firm's competitive strategy—rivalry, buyer power, supplier power, substitutes, and barriers to entry—provide a convenient way to classify actions that could enrich a producer's surplus (Porter, 1996). His revolutionary views on competitive strategy have contributed to both academic theory and business practices (Porter, 1996; 2008).

Henry Mintzberg, a prominent management researcher, also writes prolifically on the topics of management and business strategy. Mintzberg (1987a) defines strategy as a business plan that is designed with a firm's future in mind and, as such, incorporates past patterns to guide future organizational behavior. He also presents the Five Ps of strategy: "plan, ploy, pattern, position, and perspective" (Mintzberg, 1987b, p. 11). He describes two main features of strategies: "they are made in advance of the actions to which they apply," and "they are developed consciously and purposefully" (Mintzberg, 1987b, p. 11). Mintzberg's (1987b) five Ps of



strategy provide a useful guideline to help organizations engage in effective strategy development. By understanding the Five Ps, a firm can develop a robust business strategy that takes full advantage of its strengths and capabilities.

To implement a strategy, a business model must first be defined and selected (Mintzberg, 1987a). An organization's business model is the reflection of its executed strategy (Casadesus-Masanell & Ricart, 2010). This model, a design for an effective and profitable operation of a business, creates a sustainable competitive advantage within defined markets and has six fundamental components: value proposition, customer, internal processes and competencies, external positioning, an economic model, and personal and investor factors (Morris, Schindehutte, & Allen, 2005). Tactics are then defined. Tactics represent the residual choices open to a firm based on its business model. The firm determines its tactics based on its business model, such as whether it competes against or cooperates with other firms in the marketplace. Therefore, different business models provide different tactical choices (Hendry, Kiel, & Nicholson, 2010).

3. Discussion and Conclusion

A review of the pertinent literature on strategy suggests that strategy, as a term, is used almost indiscriminately. That is, nearly any action an organization takes has a relation to strategy in some form and this leads business educators to often use the term inaccurately, referring to strategic steps or particular actions that a firm must take to execute strategy (Figure 1). Such use has created confusion in business and academic environments regarding the difference between the conceptualization and development of strategy and the enactment of strategy. Thus, articulating what "strategy" means and incorporating this standardized meaning in the classroom can help business students better understand the correct meaning and practical application of strategy in their business and management work.

It is important to explain to students that the strategic steps or particular actions that a firm must take to execute a strategy are not themselves the strategy (Casadesus-Masanell & Ricart, 2010). Strategy instead comprises how firms become unique, how they operate to their advantage, and how they sustain those advantages over time (Porter, 2008). To avoid this misunderstanding, retail and business educators should consider separating the discussion of strategy from the discussion of objectives, goals, and strategic actions. They also should acknowledge the potential consequences of misunderstanding this difference and of lacking strategy altogether.

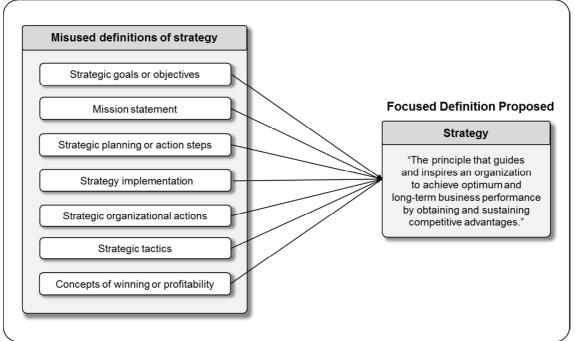


Figure 1. Focused definition of strategy

Educators and students often think about strategy incorrectly by focusing on concepts of winning: becoming the best producer, the best car company, or the winning company in an industry. This leads to confusion between strategy and an organization's Mission Statement, which often states the firm's intent to be "the best." This way of thinking, however, is inherently flawed and it is a dangerous way to think about competition and competitive advantage. Indeed, there is no best company, because that definition depends on the needs a particular firm is trying to serve. For example, a car dealership that serves mostly middle-income, urban consumers (who do a lot of stop-and-go driving) has different marketing and sales goals than a car dealership



that serves mostly low-income, rural consumers (who generally drive longer distances). The "best car" for these consumers will likely be different. It is impossible to be the best in every circumstance and to serve the needs of every consumer; thus, firms rely on market differentiation to find competitive advantage by serving unmet needs. Instead, retail and business educators should consider explaining strategy in terms of creating unique value for consumers. When a firm delivers distinctive value to consumers to serve their particular needs, then that firm has an advantage over competitors.

Furthermore, educators should contemplate separating the concept of strategy from the concept of goals and other organizational actions that aim to achieve those goals. For example, a "strategy" to be the best company within an industry and a "strategy" to increase market growth are goals or aspirations, but they are not actual strategies. Properly defined, a strategy refers to how an organization positions itself within industries and markets to achieve its goals (Porter, 2008). For example, a manager may advise another professional to internationalize his or her business. Doing so is not a strategy, but rather an action step that manifests a strategy. Strategy also differs from missions and visions, which tend to be broad, inspirational messages that motivate and create a sense of purpose for an organization. Although relevant to strategy, these terms do not define a firm's unique advantage or explain how it can succeed over other companies.

In sum, varied definitions and uses of the term strategy can create confusion in retail and business classroom settings. To avoid confusion, educators should create and consistently use a common definition of strategy and strategy formation. In particular, students should be presented with examples, case studies, and reinforcement exercises that enable them to correctly identify and distinguish strategy from action. The author suggests using a focused definition of strategy as a roadmap or principle that guides an organization to achieve superior and long-term business performance by sustaining competitive advantages (Mintzberg, 1987a; Vilà & Canales, 2008). Standardization of the language will help reinforce the correct concept of strategy and eliminate confusion in retail and business classroom settings. A fruitful extension of this study would embrace exploring major attributions of strategy formation and implementation into the business curriculum. The attributions would include strategic planning and decision making, pricing, competition, branding, and customer relationship management (CRM) that guide the fundamentals of corporate policies. The author also offers direction for future research on recent definitions of e-business strategy. These definitions would be combined with a comprehensive and up-to-date literature review of Internet-based business models and how firms should define their competitive and corporate strategies in an online business environment.

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