



UNIVERSITY OF NICOSIA
ΠΑΝΕΠΙΣΤΗΜΙΟ ΛΕΥΚΩΣΙΑΣ

Strategy

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Lecture's topics

- What are the basic types of strategy that an organisation can follow?
- What are Porter's competitive strategies?

What is strategy?

Strategy is the way in which the organisation will meet its goals.

It is the outcome of the first two steps of the strategic management process.

The Four Grand Strategies

- Growth strategy
- Stability strategy
- Retrenchment strategy
- Combination strategy

The Four Grand Strategies

A **Growth** strategy is a strategy in which an organisation attempts to increase the level of its operations.

This could be achieved through direct expansion, new product development, or by diversifying – **merging** with or **acquiring** other firms (a quick way to build market share).

The Four Grand Strategies

A **Stability** strategy is a strategy in which an organisation continues to serve its same market and customers while maintaining its market share.

This strategy is characterised by an absence of significant change.

The Four Grand Strategies

A **Retrenchment** strategy is a strategy in which an organisation is reducing its size, usually in an environment of decline.

The Four Grand Strategies

A **Combination** strategy is a strategy in which an organisation simultaneously pursues two or more of the previous grand strategies.

Porter's Competitive Strategies

- Cost-leadership
- Differentiation
- Focus

Porter's Competitive Strategies

Cost-leadership is a strategy whereby a company aims to compete on price rather than on, say, advanced features or high levels of customer service.

Note: a low cost base will not in itself bring competitive advantage – consumers must see that the product or service offered represents **value for money**.

Porter's Competitive Strategies

A **differentiation** strategy consists of offering a product or service that is perceived by consumers to be unique or distinctive on a basis other than price.

Porter's Competitive Strategies

A **focus** strategy involves targeting a narrow market segment, such as a specific consumer group (e.g. teenagers, over-60s) or a particular geographical location.