THE FIVE FRAMEWORKS FOR THE STUDY OF STRATEGY

Arnoldo C. Hax
# A Formal Strategic Planning Process

<table>
<thead>
<tr>
<th>PLANNING PERSPECTIVES</th>
<th>STRATEGY FORMULATION</th>
<th>STRATEGIC AND OPERATIONAL BUDGETING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate Strategy</strong></td>
<td>Internal Scrutiny</td>
<td>• Horizontal Strategy and Vertical Integration Revisited</td>
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<td></td>
<td>Environmental Scan</td>
<td>• Resource Allocation and Portfolio Management</td>
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<td>• Budgeting Guidelines</td>
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<td></td>
<td>Corporate Strategic Thrusts and Performance Objectives</td>
<td>Budgeting Consolidation and Approval</td>
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- **Mission:**
  - Internal Scrutiny
  - Environmental Scan
  - Proposed Strategy, Programs, and Budgets

- **Business Budgeting:**

- **Functional Budgeting:**

- **Process and Functional Strategy**:
  - Internal Scrutiny
  - Environmental Scan
  - Proposed Strategy, Programs, and Budgets

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**FIRST FRAMEWORK**
SECOND FRAMEWORK

Strategic Management Framework

Strategy
- Supported by:
  - Business segmentation
  - The Triangle
  - The mission statement

Organizational Structure
- Assignment of responsibilities and authorities

Business Processes
- Detecting activities that cut across organizational units, requiring horizontal coordination

Performance
- Performance indicators
- Time-driven events

Culture
THIRD FRAMEWORK
THE FUNDAMENTAL ELEMENTS OF THE DEFINITION OF CORPORATE STRATEGY – THE TEN TASKS

Central Focus of Corporate Strategy

The Firm

Corporate Internal Scrutiny

- Mission of the firm
- Business segmentation
- Horizontal strategy
- Vertical integration
- Corporate philosophy

Definition of Strengths and Weaknesses

Corporate Environmental Scan

- Analysis of critical geographical locations and industrial sectors
  - Economic outlook
  - Technological, human resources, political, social, and legal trends

Identification of Opportunities and Threats

Corporate Strategic Agenda

Strategic Thrusts
Corporate Performance Objectives

Resource Allocation

Portfolio Management

Managerial Infrastructure

Organizational Structure and Administrative Systems

Human Resources

Management of Key Personnel
FOURTH FRAMEWORK
THE FUNDAMENTAL ELEMENTS OF THE DEFINITION OF A BUSINESS STRATEGY

<table>
<thead>
<tr>
<th>The Mission of the Business</th>
<th>Corporate Strategic Thrusts</th>
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<tbody>
<tr>
<td>• Definition of business scope: products, markets, and geographies</td>
<td></td>
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<tr>
<td>• Identification of unique competencies</td>
<td></td>
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<tr>
<td><strong>Corporate Strategic Thrusts</strong> Relevant to the business unit</td>
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<tr>
<th>Internal Scrutiny at the Business Level (Competitive Positioning) (Past performance and future projections)</th>
<th>Environmental Scan at the Business Level (Industry Structure) (Past performance and future projections)</th>
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<tbody>
<tr>
<td>• Identification of internal critical factors to achieve competitive advantage</td>
<td></td>
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<tr>
<td>• Overall assessment of competitive position</td>
<td></td>
</tr>
<tr>
<td><strong>Definition of Strengths and Weaknesses</strong></td>
<td></td>
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<tr>
<td>• Identification of external factors contributing to industry attractiveness</td>
<td></td>
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<tr>
<td>• Overall assessment of industry attractiveness</td>
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<td><strong>Identification of Opportunities and Threats</strong></td>
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**Business Strategic Agenda**

**Strategic Thrusts**
**Accountability and Performance Measurements**

**Budgeting**

**Strategic funds programming and operational budgets**
THE DELTA MODEL – AN INTEGRATIVE STRATEGIC FRAMEWORK

The changes introduced by the Delta Model
• Add the Triangle to decide on the strategic positioning
• Add the Adaptive Processes to expand the implementation tasks
FIFTH FRAMEWORK
THE FUNDAMENTAL ELEMENTS OF THE DEFINITION OF A PROCESS AND FUNCTIONAL STRATEGY

Corporate Strategy
- Mission of the firm
- Strategic thrusts

Process and Functional Requirements

Business Strategy
- Mission of the business
- Broad and specific action programs

Process and Functional Requirements

Process and Functional Scrutiny
- Distinctive process and functional competencies for all strategic categories of decisions

Definition of Strengths and Weaknesses

Process and Functional Environmental Scan
- Industry and competitive analysis
- Process and Functional intelligence

Identification of Opportunities and Threats

Process and Functional Strategic Agenda
A set of multiyear broad action programs

Budgeting
Strategic funds programming and operational budgets