

Chapter 10

Making strategic decisions

Aim

To identify and review approaches to strategic decision-making.

Objectives

This chapter is intended to support you in:

- Identifying the components of strategic planning as a systematic process
- Identifying and applying approaches to business analysis and evaluation
- Developing a balanced approach to performance measurement and strategic planning
- Selecting and applying strategic planning techniques and approaches appropriate to food service operations.

10.1 The origins of strategy

Assessing the achievement of an organisation against its aims and within the business environment leads to the requirement to consider making strategic decisions about the current operation and the future of the organisation.

Strategy is the means by which organisations attempt to achieve their objectives. In most organisations there is likely to be a complex set of stakeholders concerned to influence the objectives and hence the strategy of the organisation. Rather than be too concerned about the right definition of strategy it is useful to develop an understanding of what different writers or speakers mean by strategy, i.e. what are the underlying concepts that they are trying to get across?

As a working definition, let us propose that strategic decisions are:

- Major decisions that affect the direction to which an organisation, or part of an organisation, is committed for the next few years
- Decisions which involve a significant commitment of resources
- Decisions which involve complex situations at corporate, business unit and operational level which may affect and be affected by many parts of the organisation.

Within this context there are a number of terms often used in relation to strategic decision-making. These include:

- **Vision:** conceptual or imagined view of the organisation as it might be in the future.
- **Mission:** fundamental purpose of an organisation, which is intended to lead it towards its vision.
- **Policy:** set of ground rules and criteria to be applied when making decisions.
- **Goals/Aims:** broad intentions of the organisation.
- **Strategy:** means by which the organisation tries to fulfil its mission.
- **Objectives:** measurable statements of what must be achieved as part of the strategy in order for the goals/aims to be realised.
- **Tactics:** decisions and actions intended to achieve short-term objectives.

These terms may also be seen as being presented in a hierarchy. Thus, **policies** are derived from thinking about the **vision** and the **mission** of the organisation, and **objectives** are determined in order to ensure that the **goals/aims** of the organisation are achieved. However, the interpretation of these terms can vary depending on where and how they are being used. The establishment of goals and objectives for an operation have previously been discussed in Chapter 2, page 52. Examples of tactics for sale promotion are discussed in Chapter 3, page 85.

Levels of strategy

It is now widely recognised that strategy decision making should take place at different levels of the organisation. It is also common practice to identify three levels of strategy: corporate, business unit and operational levels:

- 1 **Corporate strategy** includes the plans for the strategic direction of the enterprise and how this is to be achieved.
- 2 **Business strategy** is developed for the business unit whether this be a single establishment or a division of a company.
- 3 **Operations strategy** includes the product, market, and functional and departmental plans.

The part of the organisation where the responsibility will lie for these different levels will vary from organisation to organisation. In a small company the business unit will also be the corporate level and operational level; but in a larger organisation the levels can be

separated with different managers at each level. How the three levels of strategy relate can be indicated as in Figure 10.1.

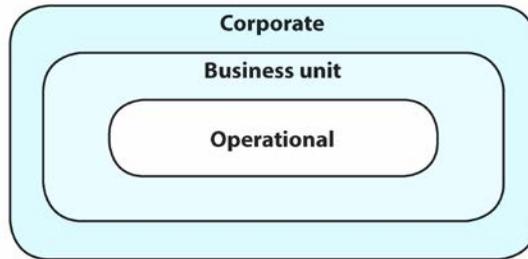


Figure 10.1: The three levels of strategy and the relationship between them

The strategies at the various levels in an organisation clearly need to be consistent. However this does not mean that they have to be common or the same. The appropriate business and operational strategies for a national food service company may not need to be the same in each of the locations it is operating in (for example, resort, city centre, tourist area, transportation). In addition, any food service operation is not necessarily in one market. The same unit could, for instance, be in the restaurant, licensed trade, banqueting, conference, business and leisure markets. In short, different approaches may be required for different customer groups or more appropriately the different types of demand, which the operation is designed to satisfy.

10.2 Assessing current performance

In the same way as we identified three levels for considering strategy it is also common to use the same three levels when considering the performance of the current operation as a whole. These levels are:

- 1 Corporate** – which is considering the strategic direction of the operation and how this is being achieved
- 2 Business** – which is considering the performance of the enterprise in terms of profitability, competitiveness and other business measures
- 3 Operational** – which includes day-to-day sales and the way the product is provided and promoted

In a single business unit these three levels are operating together. In a larger enterprise different members of staff and management may undertake the responsibilities for each of these levels separately.

It can be useful though, to consider any enterprise having these three levels. It makes for the consideration of any matters at any of the three levels not as independent issues but within the context of the organisation as a whole. Thus operational issues and decisions made about them are set within the business requirements and also then within the contribution that is being made to the corporate direction of the enterprise.