

CHAPTER 6

Developing Strategic Alternatives

SUGGESTIONS FOR EFFECTIVE TEACHING

This chapter is a fun chapter to teach and is critical in pulling together the strategic management process. We have found it effective to first discuss the decision logic of strategy formulation. We do this by beginning to construct the information in Exhibit 6-4, Strategic Thinking Map – Hierarchy of Strategic Decisions and Alternatives. Exhibit 6-4 contains elements of Exhibits 6-2 and 6-3 and information in these exhibits can be discussed as we reconstruct Exhibit 6-4. Therefore, we start with the column headings and arrows and define each strategy type and discuss their ends–means relationships. At this point we ask the students how these steps relate to situational analysis. Here we add the check list shown in Exhibit 6-1, and stress that the strategies selected by the organization should address external issues, draw on competitively relevant internal strengths or fix competitive relevant weaknesses, keep the organization within the parameters of the mission, move the organization toward the vision, and make progress toward achieving one or more of the organization's goals. It should be emphasized that each stage in the ends–means decision chain, previous upstream decisions and the implications for subsequent downstream decisions, must be considered and perhaps reconsidered. Students should understand that as we work through strategic decisions, new insights and perspectives may emerge that suggest reconsideration of previous strategic decisions. Therefore, although the decision logic for strategy formulation is generally sequential, in practice it is an iterative process.

With this groundwork completed, we begin developing the columns (adaptive, market entry, and competitive strategies). We discuss each strategy type and provide examples of each. Discussion of the adaptive strategies will produce Exhibit 6-5 as an “extra” column in our blackboard exercise. In addition, we try to provide a definition and discuss the rationale (or advantage and disadvantage) of each strategy as they are introduced and summarized for students in Exhibit 6-9 for the adaptive strategies, 6-10 for the market entry strategies, and Exhibits 6-11 and 6-13 for the competitive strategies.

LECTURE NOTES

Introductory Incident: Responding to the Leapfrog Group's Hospital Quality and Safety Survey: A Strategic Choice? The Leapfrog Group publishes the results of its *Hospital Quality and Safety Survey* in a comparative fashion on a market-by-market basis. It is intended to aid consumers in selecting a provider and employers in designing health plans that ensure the highest quality of care. For a hospital's leaders, choosing to adopt all or part of the Leapfrog agenda represents a major strategic choice and the success of the strategy is far from guaranteed. However, choosing not to adopt any of the standards potentially signals to a hospital's market that quality and safety are not major strategic objectives of the institution.

Resistance to the Leapfrog initiative has been very strong in some markets where hospital systems with significant market share and influence viewed the survey results as a threat to the strategic advantages they had assiduously built over the years. One example is the St. Louis market where the resistance of St. Louis hospitals to the Leapfrog roll-out in their community

attracted considerable national attention. One CEO who was adamant in his opposition to the Leapfrog effort presented his views at a board meeting where he convinced a coalition of 30 large employers in St. Louis that his arguments were legitimate and congruent with their own interests. In the meantime, his hospital created its own program for public disclosure, in essence attempting to develop its own strategic alternative to the Leapfrog plan. Whether hospitals respond to the Leapfrog Group's initiatives or not, the Group's effort is not a one-time and temporary phenomenon that can be safely ignored.

Questions that might be posed to the class as a starting point for discussing this and the next chapter include: "Which strategies are most appropriate in which situations?" "Is there a hierarchy of strategies?" "Which are superordinate and which subordinate?" "How do organizations select a strategy – especially in turbulent times?" Chapter 6 introduces the types of strategies and presents a comprehensive schematic or map of the hierarchy of strategic alternatives. Chapter 7 discusses methods for analyzing the alternatives to make a strategic choice.

I. Strategy Formulation and Decision Logic.
Learning Objective 1

- A. Strategy is a decision-making process. (Refer to Exhibit 6-2 for the decision logic.)
- B. There are four types of strategies (each with several subtypes) that make up the strategy formulation process. Strategy is developed through:
 - Directional strategies – mission, vision, values, and goals;
 - Adaptive strategies – expansion, contraction, and maintenance of scope;
 - Market entry strategies – purchase, cooperation, and development;
 - Competitive strategies – strategic posture and positioning strategies.
- C. Decisions concerning these strategies must be made sequentially, with each subsequent decision more specifically defining the activities of the organization. It is very important to emphasize that strategy formulation can be a logical process. Exhibit 6-3 provides the scope and role of the types of strategies and helps to explain that logic.

Learning Objective 2

- D. Exhibit 6-4 provides a conceptual map of the chapter and can serve as a topical outline for class lecture and discussion. We have found that recreating Exhibit 6-4 on the blackboard and discussing (from left to right) each strategy type and its various alternatives works quite well. This approach demonstrates the strategic decision-making logic (broadest decisions to more specific decisions) and the various alternatives under each strategy type.

Learning Objective 2

II. Directional Strategies.
Learning Objectives 3 and 4

- A. The directional strategies are mission, vision, values, and goals. They set the broadest direction for the organization.
 - B. The directional strategies are a part of both situational analysis and strategy formulation. In situational analysis they describe the current state of the organization and codify its basic beliefs and philosophy. They are a part of formulation because they set the broadest direction for the organization.
- III. Adaptive Strategies.
Learning Objectives 3 and 4
- A. The adaptive strategies are divided into expansion, contraction, and maintenance of scope and represent the first decision that is made after determining the directional strategies. Thus, “Should we expand, contract, or remain about the same?” is a fundamental question for further strategy development.

(Note: We have provided several summary charts that can be useful in the lecture or discussion of the chapter. Exhibit 6-4 provides the overview or map, Exhibit 6-9 provides a definition and presents the rationale for each of the expansion adaptive strategies. These exhibits provide a quick reference as to how the alternative fits within the decision making logic, an explicit definition and real example, and the rationale for pursuing the strategy.)
 - B. An effective approach after asking “Should we expand, contract, or remain about the same?” is to ask students, “What are some ways to do that?” It is helpful to note that corporate-level strategies add or subtract businesses (SBUs/SSUs) and division-level strategies expand, contract, or maintain current businesses.
 - C. The adaptive expansion of scope strategies.
Learning Objective 5
 - 1. Diversification – enter new markets with new products/services.
 - a) Related or concentric diversification – an organization chooses to enter a market that is similar or related to its present operations. (Refer to Exhibit 6-5 and 6-6 for examples of related and unrelated diversification.)
 - b) Unrelated or conglomerate diversification – an organization enters a market that is unlike its present operations.
 - 2. Vertical integration – often confused with diversification. Indeed, the health care literature often uses the terms interchangeably especially when discussing alliances, networks, and health care systems. We have used the intent of the strategy to distinguish between the two because the intent of the strategy will place different demands on the

organization. If the intent is to control patient flow (provide feeder units), it is vertical integration. If the intent is to expand into new markets, the strategy is diversification. Control of patient flow will rely on the rationales and demands of vertical integration; growth in new markets will rely on the rationales and demands of diversification. (Exhibit 6-8 provides the patterns of vertical integration among health care organizations.)

- a) Forward integration (downstream) toward the consumer.
 - b) Backward integration (upstream) away from the consumer.
3. Market development – used to enter new markets with present products or services.
- a) Geographic (new city or area).
 - b) Segmentation (new customer group).
 - c) Market driven or focused factory. (Refer to Perspective 6-3 for the “rules” of the focused factory.)
4. Product development – the introduction of new products to present markets (geographic and segments).
- a) Expand the product line (new services).
 - b) Product enhancements (changes to current products).
5. Penetration – an attempt to better serve current markets with current products or services.
- a) Promotion is increased.
 - b) Channels of distribution are expanded.
 - c) Pricing is reduced or maintained as others increase prices.
- D. The adaptive contraction of scope strategies. (Note: Exhibit 6-9 defines and presents the rationale for each of the adaptive contraction strategies.)
- Learning Objective 5
1. Divestiture – a strategy in which an operating unit is sold off as a result of a decision to permanently and completely leave the market.
- a) Total.
 - b) Partial.
2. Liquidation – selling the assets of an organization.
- a) Operations.
 - b) Assets.
3. Harvesting – an attempt to reap maximum short-term benefits before the product or service is eliminated.

- a) Fast.
 - b) Slow.
4. Retrenchment – definition of the target market, selective cost elimination, and asset reduction.
- a) Personnel.
 - b) Markets.
 - c) Products.
 - d) Assets.
- D. The adaptive maintenance of scope strategies.
- Learning Objective 5

(Note: Exhibit 6-9 defines and presents the rationale for each of the adaptive maintenance of scope strategies.)

1. Enhancement – improving what the organization already does.
- a) Quality.
 - b) Efficiency.
 - c) Innovation.
 - d) Speed.
 - e) Flexibility.
2. Status quo – maintenance strategy. At this point, it is helpful to suggest that in many health care situations attempting to maintain the status quo (market share, for example) is extremely challenging and requires significant investment of funds and management attention.

IV. Market Entry Strategies.

Learning Objectives 3 and 4

- A. The market entry strategies are divided into purchase, cooperation, and development. “Should we buy our way into the market, cooperate with others, or develop it ourselves?” (Note: Exhibit 6-10 defines and shows the advantages and disadvantages of each of the market entry strategies.)
- B. Market entry strategies must be considered for the expansion and maintenance of scope adaptive strategies.
- C. The market entry purchase strategies include:
- 1. Acquisition.
 - 2. Licensing.
 - 3. Venture capital investment.
- D. The market entry cooperation strategies include:
- 1. Mergers.

2. Alliances.
 3. Joint ventures.
 - E. The market entry development strategies include:
 1. Internal development.
 2. Internal ventures.
 3. Reconfigure the value chain.
- V. Competitive Strategies.
Learning Objectives 3 and 4
- A. Having selected the adaptive strategies and market entry strategies, managers must decide the strategic posture of the organization and how the products and services will be positioned *vis-à-vis* competitors' products and services.
 - B. Organizations may be classified by how they behave within their market segments or industry – their strategic posture. Research by Miles and Snow has shown that there are at least four typical strategic postures for organizations – defenders, prospectors, analyzers, and reactors. (Exhibit 6-11 defines and shows the advantages and disadvantages of each strategic posture.)
 - C. The positioning strategies are divided into market-wide and market segment. "Should we target the entire market or only a particular segment of the market?" (Note: Exhibit 6-13 defines and shows the advantages and disadvantages of each of the positioning strategies.)
 - D. Market-wide. (Refer to Exhibit 6-12 for Porter's Matrix.)
 1. Cost leadership.
 2. Differentiation.
 - E. Market segment.
 1. Focus/cost leadership.
 2. Focus/differentiation.
- VI. Combination Strategies.
Learning Objective 6
- A. Some strategies many need to be performed sequentially. (Refer to Exhibits 6-14.)
 - B. Some strategies will be performed simultaneously. (Refer to Perspective 6-5 for an example of a successful combination strategy – Carolinas Healthcare System.)

QUESTIONS FOR CLASS DISCUSSION

1. What four types of strategies make up the strategy formulation process? Describe the role each plays in developing a strategic plan.

There are four types of strategies that make up the strategy formulation process. Strategy is developed through:

1. Directional strategies,
2. Adaptive strategies,
3. Market entry strategies, and
4. Competitive strategies.

Decisions concerning these strategy types must be made sequentially with each subsequent decision more specifically defining the activities of the organization. That is, directional strategies must be made first, followed by adaptive strategies and then market entry strategies. Next, the organization's relationship with the market (strategic posture – defender, prospector, or analyzer) must be determined. Further, products or services are introduced or reintroduced to the market in a way to be different from (or similar to) competitive products (positioning strategies). (The decision logic for strategy formulation is illustrated in Exhibit 6-2.)

2. Why are the directional strategies both a part of situational analysis and a part of strategy formulation?

Mission, vision, values, and goals are part of both situational analysis and strategy formulation. They are a part of situational analysis because they describe the current state of the organization and codify its basic beliefs and philosophy. However, mission, vision, values, and goals are also a part of strategy formulation because they set the boundaries and indicate the broadest direction for the organization. As a result, these important decisions are referred to as directional strategies.

3. How is strategy formulation related to situational analysis?

Situational analysis provides the context for strategy formulation. Situational analysis provides information concerning the external and internal environments that is used in strategy formulation to develop strategic alternatives and select the strategies for the organization. External environmental analysis identifies important external issues and provides a comprehensive competitive analysis. Internal environmental analysis identifies strengths and weaknesses and specifies whether they are sources of short- or long-term competitive advantage or disadvantage. Mission, vision, values, and goal development provides broad direction for the organization. As demonstrated by the check list in Exhibit 6-1, the strategies selected by the organization should address external issues, draw on competitive relevant internal strengths or fix competitive relevant weaknesses, keep the organization within the parameters of the mission, move the organization toward the vision, and make progress toward achieving one or more of the organization's goals. Implementation strategies then may be developed to accomplish the organizational strategies. The type of procedure demonstrated in Exhibit 6-1 is an important part of the strategic thinking process and helps to assure consistency of analysis and action. Each selected strategy should be tested against these

questions. Strategies that do not have “yes” in each column should be subject to additional scrutiny and justification.

4. Name and describe the expansion, reduction, and maintenance of scope strategies. Which of the adaptive strategies are corporate and which are division level? Under what conditions may each be appropriate?

Strategy	Definition	Appropriate Conditions
<u>EXPANSION</u> Related Diversification (Corporate)	Adding new related product or service categories. Often requires the establishment of a new division.	• High growth markets • Less regulated markets • Can achieve synergy with current products/services • Seasonal or cyclical differences
Unrelated Diversification (Corporate)	Adding new unrelated product or service categories. Typically requires the establishment of a new division.	• High growth markets • Less regulated markets • Antitrust prohibits growth • Current markets not growing
Forward Vertical Integration (Corporate)	Adding new members along the distribution channel (toward a later stage) for present products and services or controlling the flow of patients from one institution to another.	• Creating a network of care • Need faster delivery • Long product life cycle • High level of coordination required between stages
Backward Vertical Integration (Corporate)	Adding new members along the distribution channel (toward an earlier stage) for present products and services or controlling the flow of patients from one institution to another.	• Creating a network of care • Deliveries/materials unreliable • Long product life cycle
Market Development (Divisional)	Introducing present products or services into new geographic markets (service area) or to new segments within a present service area.	• New markets available • New markets may be served efficiently • Organization has competitive advantage • Market growing
Product Development (Divisional)	Improving present products or services or extending the present product line.	• Incomplete product line • Consumer tastes changing • Technology changing • Create differentiation advantage

Penetration (Divisional)	Seeking to increase market share for present products or services in present markets through marketing efforts (promotion, channels, price).	• Market growing • Extend product life cycle • Cost or differentiation advantage
<u>REDUCTION</u> Divestiture (Corporate)	Selling an operating business unit or division to another organization. Typically, the business unit will continue to operate.	• Industry in long-term decline • Required new investment too high • Too much regulation • Lack of synergy with core operations
Liquidation (Corporate)	Selling all or part of the organization's assets (facilities, inventory, equipment, and so on) to obtain cash. The assets may be used by the purchaser in a variety of ways and businesses.	• Can no longer operate • Bankruptcy • Reduce assets • Need new technology
Harvesting (Divisional)	Taking cash out while providing few new resources for a business in a declining market. Sometimes referred to as "milking" the organization.	• Late stages of product life cycle • Need to downsize • Prospects for growth are low
Retrenchment (Divisional)	Reducing the scope of operations, redefining the target market and selectively cutting personnel, products and services, or service area (geographic coverage).	• Market has become too diverse • Organization is spread too thin • Personnel costs too high • Too many products/services • Nonproductive assets
<u>MAINTENANCE</u> Enhancement (Divisional)	Seeking to improve operations within present product or service categories through quality programs.	• Operational inefficiencies • Need to lower costs • Need to improve internal processes • Need to improve quality
Status Quo (Divisional)	Seeking to maintain position relative to others within a market (market share, sales leadership, quality, innovation, and so on).	• Little growth or no major changes expected in market • Later stages of product life cycle

5. Why does the selection of the strategic alternatives create "direction" for the organization?

The strategic alternatives create an ends-means chain. Generally, functional strategies accomplish divisional strategies, which in turn carry out corporate strategies. Corporate and divisional adaptive strategies create further direction for the organization to achieve its mission, vision,

values, and goals (directional strategies). They provide a general course of action available to the organization and are more specific than directional strategies. This direction is reinforced as managers understand, commit, and make decisions according to the strategy.

6. What is the difference between related diversification and product development? Provide examples of each.

In related diversification, an organization chooses to enter a market with products/services that are similar or related to its present operations. This form of diversification is sometimes called concentric diversification because the organization develops a “circle” of related products. The general assumption underlying related diversification is that the organization will be able to obtain some level of synergy between the production/delivery, marketing, or technology of the core business and the new related product or service. For hospitals, two reasons for diversifying are to introduce non-acute or sub-acute care services that reduce hospital costs and offer a wider range of services to large employers and purchasing coalitions through capitated contracts.

Product development is the introduction of new products to present markets (geographic and segments). Typically, product development takes the form of product enhancements and product line extension. Related diversification introduces a new product category (though related to present operations); product development may be viewed as refinements, complements, or natural extensions of present products. Product development strategies are common in large metropolitan areas where hospitals vie for increased market share within particular segments of the market, such as cancer treatment and open-heart surgery. Another good example of product development is in the area of women's health.

7. What is a market-driven or focused factory strategy? Identify some organizations that have employed this type of market development strategy.

The fundamental principle underlying a market-driven or focused factory strategy is that an organization that specializes or focuses on only one function is likely to perform better. This strategy involves providing comprehensive services across multiple markets (horizontal integration) for one specific disease such as diabetes management, rehabilitation, renal dialysis, asthma, or heart surgery. Focused factories become so effective (high quality, convenience, and so on) and efficient (less costly) that other providers are “forced” to use their services. Thus, these providers can obtain higher quality services at less cost by outsourcing to the focused factory. In turn, the focused factory commands a place in the payment systems. Two organizations that have used this strategy are Medcath in the development of their heart hospitals and HEALTHSOUTH in rehabilitation.

8. Many organizations engaged in vertical and horizontal integration in the 1980s and 1990s. At the beginning of the new century the pace of integration slowed. Why have vertical and horizontal integration become less popular for health care organizations?

Vertical integration is the fundamental adaptive strategy for developing integrated systems of care and throughout the 1990s was central to many health care organizations' strategies.

Numerous extensive health networks are the result of integration strategies. The major reason that hospitals join networks and systems is to help to secure needed resources (financial, human, information systems, and technologies), increase capabilities (management and marketing), and gain greater bargaining power with purchasers and health plans. However, it appears that the pace of integration has slowed. In fact there has been some degree of “disintegration” with health care systems divesting health plans, physician groups, home health care companies, as well as selling or closing hospitals and divesting themselves of skilled-care services or facilities. This disintegration has occurred to some extent because managing several different kinds of enterprises can be very difficult and expertise in one area does not necessarily transfer to another. For example, managing an insurance company (managed care organization) is very different from managing an acute care hospital.

In addition, many hospitals and medical practices engaged in horizontal integration throughout the 1980s and early 1990s creating multihospital systems. Such systems were expected to offer several advantages such as increased access to capital, reduction in duplication of services, economies of scale, improved productivity and operating efficiencies, access to management expertise, increased personnel benefits, improved patient access, improvement in quality, and increased political power. However, many of these benefits have not materialized and the growth of horizontal integration strategies slowed in the latter part of the 1990s.

9. Describe vertical integration in terms of patient flow.

Patients flow through the system from one unit to the next, and upstream units are viewed as “feeder” units to downstream units (closer to the consumer). Examples of vertical integration would be a hospital chain acquiring one of its major medical products suppliers (backward integration) or a drug manufacturer moving into drug distribution (forward integration).

10. Explain the difference between an enhancement strategy and a status quo strategy.

When management believes that the organization is progressing toward its vision and objectives but needs to “do things better,” an enhancement strategy may be used. Thus, neither expansion nor contraction of operations is appropriate but “something needs to be done.” Typically, enhancement strategies take the form of quality programs (CQI, TQM) directed toward improving organizational processes or cost reduction programs designed to render the organization more efficient. In addition to quality and efficiency, enhancement strategies may be directed toward innovative management processes, speeding up the delivery of the products or services to the customer, and adding flexibility to the design of the product or services. In a status quo strategy, the goal is to maintain services at current levels. However, additional resources may be required. Management attempts to prolong the life of the product or service for as long as possible.

11. How is market development different from product development? Penetration? Provide examples of each.

Market development is used to enter new markets with present products or services. Market development is designed to achieve greater volume, through service area expansion or by

targeting new market segments within the present geographic area. Market development might be achieved through the acquisition of a competitor or by entering a new geographic market such as HEALTHSOUTH entering Saudi Arabia. Product development is the introduction of new products to present markets (geographic and segments). Typically, product development takes the form of product enhancements and product line extension. An example of product line extension is adding products such as safety-engineered syringes and devices designed to prevent needle-stick injuries to an already extensive product line by Becton, Dickinson and Company. An attempt to better serve current markets with current products or services is called market penetration. Similar to market and product development, penetration strategies are used to increase volume and market share but they use existing products and services. Market penetration is supported by aggressive functional strategies, particularly within the marketing area. Increased advertising is an example of a penetration strategy.

12. Compare and contrast a divestiture strategy with a liquidation strategy.

Both are strategies for decreasing the scope of the organization (contraction). However, with divestiture, management is selling off a business unit or division as an operating entity to another organization. The business to be divested generally has value and will continue to be operated by the purchasing organization. Divestiture decisions are made for reasons such as the organization's need for cash to fund more important operations or long-term growth, or the division/SSU may not be achieving management's objectives.

Liquidation entails selling all or part of the assets (facilities, inventory, equipment, and so on) in order to obtain cash. The business to be sold can no longer operate as a going concern; however, the assets have value and may be sold for other uses. Liquidation decisions are made for reasons such as bankruptcy, to reduce assets, or new technology has superseded the old technology.

13. Which of the market entry strategies provides for the quickest entry into the market? Slowest?

Market Entry Strategy	Speed of Entry
Acquisition	Fast – probably the fastest if an acquisition candidate can be identified
Licensing	Fast – may be negotiated quickly
Venture capital investments	Slow – usually takes many years to develop new products/services
Mergers	Medium – negotiations often difficult
Alliances	Medium – negotiations and proper partner identification often difficult
Joint ventures	Medium – faster than alliances because scope of agreement is usually narrower
Internal development	Slow – must start from scratch
Internal ventures	Slow – usually involves new product or untested technology

14. What is strategic posture? How does a decision concerning the strategic posture help to create decision guidelines for management and affect the organization's culture?

Strategic posture concerns the organization's fundamental behavior within the market – defending market position, prospecting for new products and markets, or balancing market defense with careful entry into selected new products and markets. Health care organizations are able to change their strategic postures to match the demands of their environmental context and improve their performance. Strategic decision makers should examine the current market behavior, explicitly delineate the appropriate organization strategic posture, and redirect resources and competencies needed to transform themselves into a better environmentally suited posture. Understanding the organization's preferred strategic posture and communicating it throughout the organization provides decision guidelines and will shape the culture (values, assumptions, behavioral norms) of the organization.

15. Explain Porter's generic strategies. How do they position the organization's products and services in the market?

Michael Porter proposes three generic strategies that serve as basic positioning strategies. These generic strategies are cost leadership, differentiation, and focus. Cost leadership is a positioning strategy designed to gain an advantage over competitors by manufacturing a product or providing a service at a lower cost than competitors. The product or service is often highly standardized to keep costs low. Cost leadership allows for more flexibility in pricing and relatively greater profit margins. To use cost leadership, an organization must be able to develop a significant cost advantage and have a reasonably large market share (economies of scale).

Differentiation is a strategy to make the product or service different (or appear to be in the mind of the buyer) from competitors' products or services. Thus, consumers see the service as unique among a group of similar competing services. The product or service may be differentiated by emphasizing quality, a high level of service, ease of access, convenience, reputation, and so on.

A focus strategy identifies a specific, well-defined "niche" in the total market that the organization will concentrate on or pursue. Because of its attributes, the product or service or the organization itself may appeal to a particular niche within the market. A focus strategy may involve tailoring the product or service to meet the special needs of the segment the organization is trying to serve. Focus strategies are based on cost leadership (cost/focus) or differentiation (differentiation/focus).

16. How might a retrenchment strategy and a penetration strategy be linked together? What are some other logical combinations of strategies? How may a combination of strategies be related to vision?

Several adaptive strategic alternatives may be combined as sequential elements in a broader strategic shift. For retrenchment strategies, the market is still considered to be viable. Retrenchment is a strategy for getting smaller in order to become a niche player. After the organization has redefined a smaller market or market niche, a penetration strategy may be used to increase volume within that new market.

Combinations within a single division:

- market development and vertical integration;
- related diversification and market development;
- retrenchment then harvesting.

No single strategy alone may be appropriate for an organization and, therefore, combination strategies are often used. For example, an organization may concurrently divest itself of one of its divisions and engage in market development in another. Similarly, a strategy may have several phases. It may be necessary to “string together” several strategic alternatives as phases or elements to implement a broader strategic shift. In a two-phase strategy, an organization may employ a retrenchment strategy in phase one and an enhancement strategy in phase two.

Top management’s vision often extends through several strategic alternatives or phases. Such vision helps to provide long-term continuity for the entire management team. However, management must be aware that in a dynamic environment, circumstances may change and later phases may have to be modified or revised to meet the needs of the unique and changing situation. Strategic management is a continuous process of assessment and decision making.