Globalization

Internationalization of markets and corporations

Global (worldwide) markets rather than national markets

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Electronic Commerce

Use of the Internet to conduct business transactions

Basis for competition on a more strategic level rather than traditional focus on product features and costs
Electronic Commerce -- Trends

- Forcing company transformation
- Market access & branding changing – disintermediation of traditional distribution channels
- Balance of power shift to consumer
- Competition changing
Electronic Commerce -- Trends

- Pace\speed of business increasing
- Internet purchasing beyond traditional boundaries
- Knowledge key asset – source of competitive advantage
Set of managerial decisions and actions that determines the long-run performance of a firm.

It includes environmental scanning, strategy formulation, strategy implementation, and evaluation and control.
Strategy formulation

- Strategy formulation is typically not a regular, continuous process but is often initiated by generating events, such as a new CEO or a performance gap.
4 Phases of Strategic Management

- Firms evolve through the following faces of strategic management.

1. Basic financial planning
2. Forecast-based planning
3. Externally-oriented planning
4. Strategic management
1. Basic financial planning: initiate some planning when they requested to set up their budgets; considers activities for one year.

2. Forecast-based planning: consider projects for more than a year. The time horizon is usually 3-5 years.

3. Externally-oriented planning: conduct strategic planning by top management and they leave implementation to low level.

4. Strategic management: planning by forming a team from all levels in the company.
Highly Rated Benefits

• Clearer sense of strategic vision
• Sharper focus on strategic importance
• Improved understanding of changing environment
Not Always a Formal Process

• Where is the organization now? (not where do we hope it is)
• If no changes are made, where will the organization be in 1, 2, 5 or 10 years?
• What specific actions should management undertake?
• What are the risks and payoffs?
Basic Elements of the Strategic Management Process
Monitoring, evaluation, and disseminating information from external and internal environments – to key people in the firm
Environmental Variables
SWOT Analysis

• Strengths – Weaknesses

• Opportunities - Threats
Development of long-range plans for effective management of opportunities and threats in light of corporate strengths and weaknesses
Mission Statement

• Purpose/reason for organization
• Promotes shared expectations
• Communicates public image
• Who we are; what we do; what we aspire to
Organization “fit” with environment

• Theory of population ecology\biology: org. unable to adapt to changing conditions.
• Institution theory: org. can adapt to changes.
• Strategic choice perspective: not only adapt to changes but also it can reshape its environment.
• Organizational learning theory:
Strategic flexibility

• Demands long-term commitment to development of critical resources

• Demands firm become a learning organization
An organization skilled at creating, acquiring, and transferring knowledge and at modifying its behavior to reflect new knowledge and insights
4 Chief Activities

- Systematic problem solving
- New approach experimentation
- Learning from experiences
- Intra-organization knowledge transfer
Basic Concepts of Strategic Management

Hierarchy of Strategy

Corporate Strategy:
Overall Direction of Company and Management of Its Business

Business
(Division Level)

Strategy:
Competitive and Cooperative Strategies

Functional
Strategy:
Maximizing Resource Productivity
levels of strategy\hierarchy

- A large corporation tends to have three levels of strategy (corporate, business, and functional) which form a hierarchy of strategy.
Corporate Goals/Objectives

– Profitability (net profit)
– Growth
– Resource utilization (ROE, ROI)
– Market leadership
3 Types of Strategy

– Corporate strategy
– Business strategy
– Functional strategy
Corporate Strategy

- Stability
- Growth
- Retrenchment
Business Strategy

– Competitive strategies

– Cooperative strategies
Functional Strategy

– Technological leadership

– Technological followership
Basic Concepts of Strategic Management

Strategic Decision-Making Process
Strategic Decisions

- Rare
- Consequential
- Directive
Top managers tend to use one of four modes of strategy formulation:

Mintzberg’s Modes

– Entrepreneurial mode
– Adaptive mode
– Planning mode
– Logical incrementalism
5 Elements of Good Strategy

1. Arenas
2. Vehicles
3. Differentiators
4. Staging
5. Economic logic