Strategic Management

Formulation, Implementation and Evaluation
Course Objectives

1. Understand the Strategic management concepts.
2. How to be a strategic thinker.
3. How to create a competitive advantages to your business.
4. Develop students’ skills in strategy design, implementation and evaluation.
5. How culture differences affect management.
6. Develop the knowledge on the influence of social responsibility on business strategy.
Teaching Techniques

1. Lecturing and discussions.
2. Using cases in teaching: Real cases and problem solving.
3. Presentations from students.
4. Group work, teamwork and assignments.
Course Contents

- Concepts and definitions: Strategy, Strategic management, strategic planning, Importance of strategic management, Internal and external environment analysis, competitive advantages, stakeholders, social responsibility and so on.
- Tools will be used in analysis, e.g., SWOT.
Course Contents continue

- Strategy Implementation: Organizational Structure, assessment of Organizational Structure, restructuring and reengineering, short-term objectives and programs and activities.
Course Contents continue

- Global Issues in strategic management: global competition, managing cross-cultures.
Strategic Management Defined

Art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives.

Strategy

“Top Management’s plan to attain outcomes consistent with the organization’s mission and goals” (Wright, Kroll and Parnell, 1998)

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Strategic management

A continuous process of change and modification: intended strategy, realized strategy.
Three-Stage Process

- Strategy Formulation
- Strategy Implementation
- Strategy Evaluation
Strategy Formulation

- Vision & Mission
- Opportunities & Threats
- Strengths & Weaknesses
- Long-Term Objectives
- Alternative Strategies
- Strategy Selection

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Strategy Formulation

Issues include:

- What new businesses to enter
- What businesses to abandon
- How to allocate resources
- Expand operations or diversify
- Enter international markets
- Merge or form joint venture
- Avoidance of hostile takeover
Strategy Implementation

- Annual Objectives
- Policies
- Employee Motivation
- Resource Allocation

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Strategy Implementation

Action Stage of strategic management:

- Most difficult stage
- Mobilizing employees and managers
- Interpersonal skills are critical
- Consensus on pursuing goals

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Strategy Evaluation

- Internal Review
- External Review
- Performance Measurement
- Corrective Action
Strategy Evaluation

Final stage of strategic management:
- All strategies subject to future modification
- Success today is no guarantee of success tomorrow
- Success creates new and different problems
- Complacency\satisfaction leads to demise \end.
According to Peter Drucker...
The prime task is to think through the overall mission of a business
Ask the question:
*What is our Business?*
Integrating Intuition and Analysis

The *strategic management process* attempts to organize quantitative and qualitative information under conditions of uncertainty.
Integrating Intuition and Analysis

Intuition based on:
- Past experiences
- Judgment
- Feelings

Useful for decision making
- Conditions of great uncertainty
- Conditions with little precedent
Integrating Intuition and Analysis

Intuition and judgment
- Management at all levels
- Analyses are influenced

Analytical thinking and intuitive thinking
- Complement each other
Adaptation to Change

Organizations must monitor events

- On-going process
- Internal and external events
- Timely changes
Adaptation to Change

Rate and magnitude of changes

- Increasing dramatically
  - E-commerce
- Demographics
- Technology
- Merger-mania

- Effective Adaptation
  - Long-run focus
Adaptation to Change

Key strategic-management questions:

- What kind of business should we become?
- Are we in the right fields?
- Should we reshape our business?
- What new competitors are entering our industry?
- What strategies should we pursue?
- How are our customers changing?
Key Terms

Strategists

- *Most responsible for success or failure of an organization*
- *Various job titles:*
  - Chief executive officer
  - President
  - Owner
  - Chair of the Board
  - Executive Director
  - Entrepreneur

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Key Terms

Vision Statement

- *What do we want to become?*

Mission Statement

- *What is our business?*
External Opportunities and Threats

- *Significantly benefit or harm the organization in the future.*

- Include the following trends:
  - Economic
  - Social
  - Cultural
  - Demographic
  - Environmental
  - Political, legal, governmental
  - Technological
  - Competitive trends
External Opportunities and Threats

- Largely beyond the control of a single organization.

- Basic tenet/principle of strategic management
  - Strategy formulation to:
    - Take advantage of external opportunities
    - Avoid or reduce impact of external threats
Environmental Scanning

- **Industry Analysis**
  - Process of conducting research and gathering and assimilating/integrating external information
Key Terms

Internal Strengths and Weaknesses

- *Controllable activities performed especially well or poorly.*

- Arise in functional areas of the business:
  - Management
  - Marketing
  - Finance/accounting
  - Production/operations
  - Research & development
  - Computer Information Systems
Key Terms

Determining Internal Factors:

- Financial ratios
- Measuring performance
- Industry averages
- Survey data
Key Terms

Long-term objectives:

- Mission-driven pursuit of specific results more than one-year out.
- Essential for organizational success
  - State direction
  - Aid in evaluation
  - Create synergy
  - Focus coordination
  - Basis for planning, motivating and controlling
Key Terms

Strategies:

- *Means by which long-term objectives will be achieved.*

- May include:
  - Geographic expansion, diversification
  - Acquisition
  - Product development, market penetration
  - Retrenchment, divestiture
  - Liquidation, joint venture
Key Terms

Annual Objectives:

- *Short-term milestones that organizations must achieve to reach long-term objectives.*
- *They should be SMART when writing them.*
Policies:

- Means by which annual objectives will be achieved.
Strategic-Management Model

Strategic-Management Process –

- Dynamic and Continuous
- More formal in larger organizations
1. Identify Organization’s existing:

- Vision
- Mission
- Objectives
- Strategies
2. Perform External Audit
3. Perform Internal Audit
4. Establish long-term objectives
5. Generate, evaluate, select strategies
6. Implement strategies
7. Measure and evaluate performance
Benefits of Strategic Management

- Proactive in shaping organization’s future
- Initiate and influence activities
- Formulate better strategies
  - Systematic, logical, rational approach
Benefits of Strategic Management

- Financial benefits
  - Improvement in sales
  - Improvement in profitability
  - Improvement in productivity
Benefits of Strategic Management

- Non-Financial benefits
  - Enhanced awareness of external threats
  - Improved understanding of competitors’ strategies
  - Increased employee productivity
  - Reduced resistance to change
  - Understanding of performance-reward relationships
  - Enhances problem-prevention capabilities
Benefits of Strategic Management

1. Identification of opportunities
2. Objective view of management problems
3. Improved coordination and control
4. Minimizes adverse conditions and changes
5. Decisions to better support objectives
6. Effective allocation of time and resources
7. Internal communication among personnel
Benefits of Strategic Management

8. Integration of individual behaviors
9. Clarifies individual responsibilities
10. Encourages forward thinking
11. Encourages favorable attitude toward change
12. Discipline and formality to the management of the business
Why Some Firms Do No Strategic Planning

- Poor reward structures
- Fire-fighting
- Waste of time
- Too expensive
- Laziness
- Content with success
Why Some Firms Do No Strategic Planning (Cont’d)

- Fear of failure
- Overconfidence
- Prior bad experience
- Self-interest
- Fear of the unknown
- Suspicion
Business Ethics and Strategic Management

Business ethics defined:

- *Principles of conduct within organizations that guide decision making and behavior.*
Good business ethics:

- prerequisite for good strategic management
Code of business ethics:

- Provides basis on which policies can be devised to guide daily behavior and decisions at the workplace
Internet privacy

- Emerging ethical issue of immense proportion
Internet and business ethics --

- 38% of companies store and review employees' email messages
- Up from 15% in 1997
- 54% of companies monitor employees' Internet connections
Business actions *always* unethical include:

- Misleading advertising
- Misleading labeling
- Environmental harm
- Poor product or service safety
- Padding expense accounts
- Insider trading
- Dumping flawed products on foreign markets
Nature of Global Competition

Companies conduct business across borders
- International or multinational corporations
  - Parent company
  - Host country

- Strategy implementation more difficult
  - Cultural differences
    - Norms, values, work ethics
Advantages of International Operations

- Absorb excess capacity
- Reduce unit costs
- Spread economic risks over wider markets
- Low-cost production facilities
- Competition may be less intense
- Reduced tariffs, lower taxes
- Economies of scale
Disadvantages of International Operations

- Different social, cultural demographic, legal forces may create difficult communication
- Weaknesses of foreign competition may be underestimated
- Barriers to communication and effective management of personnel
- Complications from different monetary systems