

STRATEGIC MANAGEMENT



Dr. Syed Farhan Alvi

Few Words About Myself

Dr. Syed Farhan Alvi - Educational Qualification:

- PhD (Doctor of Business Administration in Sustainable Engagement)
- Masters Applied Business Research
- MBA in Management Information System
- BSC Computer Systems SHRM SCP, HRMP, HRBP, CIPD CPP, SHL Certified Job Analyst, EFQM & ISO Certified Assessor
- PGD in Information Sciences
- Last 26 Years in:
 - Learning Management
 - Career Development & Succession Planning
 - Performance Management
 - Talent Sourcing
 - HR Strategy & Planning (current role)

Member
SHRM, CIPD,
AHRI, HRCI,
IEEE & CCPE



Syed Farhan Alvi



Course Outline & Topics Covered

Upon successful completion of this course, the student will build knowledge of:

- Understanding the process of forming, formulating, implementing and evaluating business strategies.
- Critically assess the overall operations and business strategies.
- Strategy, Competitive Advantage, and Performance Knowledge Covering:
 - The Strategy Formulation/Formation Process
 - Strategic Leadership
 - Identification of Opportunities and Threats
- Critically analyze the internal and external environments in which businesses operate and assess the implications of forecast changes.
- Apply understanding of the theories, concepts and tools that support strategic management in organizations.
- Individually and collaboratively evaluate and synthesize information and existing knowledge from numerous sources and experiences.
- Apply appropriate tools, theories and concepts to analyze strategic issues in organizations and to develop options for implementation.
- The Nature of Competitive Advantage
 - Distinctive Competencies, Competitive Advantage, and Profitability
 - Sustaining and Building Competitive Advantage
- Functional-Level Strategy
 - Efficiency, Quality, and Customer Responsiveness Strategies
- Business-Level Strategy and the Industry Environment
 - Strategy in the Global Environment
- Corporate-Level Strategy including Horizontal/Vertical
- Integration, Outsourcing, and Diversification
- Implementing Strategy
 - Corporate Performance, Governance, and Business Ethics
 - Implementing Strategy across Companies and Countries
 - Structural and Cultural Barriers to Implementation
- Case Studies to showcase “Blue Ocean Strategy”
- Examples on Strategic Tools used by key Fortune 500 companies

Reference Books:

Required Readings:

- Grant, R. M. (2016) Contemporary Strategy Analysis (9th Edn.) Wiley
- **Strategic Management: Concepts and Cases – Abdulrahman Al-Aali, Abbas Ali, and Fred David (Arab World Edition) – Pearson**
- **Strategic Management Concepts And Cases” 13th edn By Fred R. David**
- Hill, C. W. L. & Jones, G. R. 2008. Strategic Management: An integrated approach, 8th Edition, Houghton Mifflin.
- Bartlett, C. A. and Ghoshal, S. 1994. Changing the role of top management: Beyond strategy to purpose. Harvard Business Review. November-December: 70-88.
- Bhagat, R. S., Kedia, B. L., Harveston, P. D., & Triandis, H. C. 2002. Cultural variations in the cross-border transfer of organisational knowledge: An integrative framework. Academy of Management Review, 27(2): 204-221.
- Dean, T. J., Brown, R. L., & Bamford, C. E. 1998. Differences in large and small firm responses to environmental context: Strategic implications from a comparative analysis of business formations. Strategic Management Journal, 19:709-728.
- Hitt, M. A., Freeman, R. E., & Harrison, J. S. (Eds.) 2001. Handbook of strategic management. Malden, MA: Blackwell.

Online Resources:

1. HBR Website
2. EBSCO Journal
3. Google Scholar Website

**The first session will discuss Chapter 1 and Chapter 2
(Approximately 1 hour session)**

CHAPTER 1
**The Nature of Strategic
Management**

CHAPTER 2
**The Business Vision
and Mission**

Strategy Definition

Strategy is...

- A long-range plan of action oriented to achieving defined goals.
- Created and refined through a **strategic planning** process.
- Implemented through **strategic management**.



What is Strategic Management?

- ▶ The process of thinking strategically, setting objectives for the organization, planning and implementing the necessary changes, and measuring the outcomes
.....Grant
- ▶ Strategic management is the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its objectives.
- ▶ Strategic management, therefore, integrates the activities of the various functional sectors of a business, such as marketing, sales, production etc., to achieve organizational goals.

Common Strategic Plan Theme



Why Strategy?



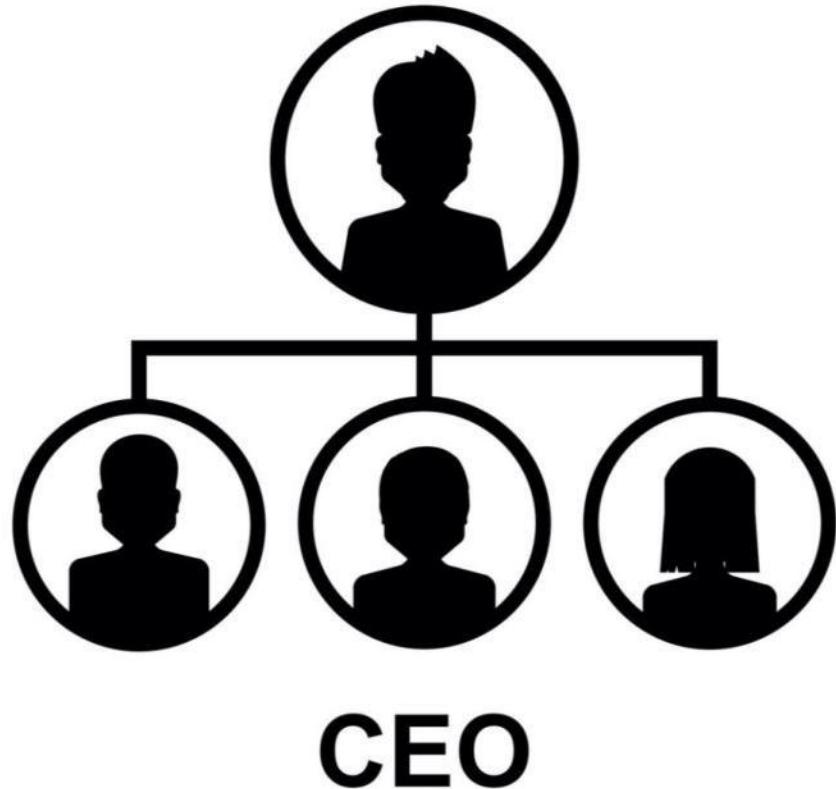
Introduction

Why is Strategic Management important for Chief Executive Officers (CEOs), General Managers (GMs) and Senior Managers (SMs)?

Because you are the leader and need to determine the most effective and efficient business strategy for the organization

Is there an analytical thinking tools to conduct to determine the best business strategy?

Absolutely “YES”



These senior managers are considered as strategist

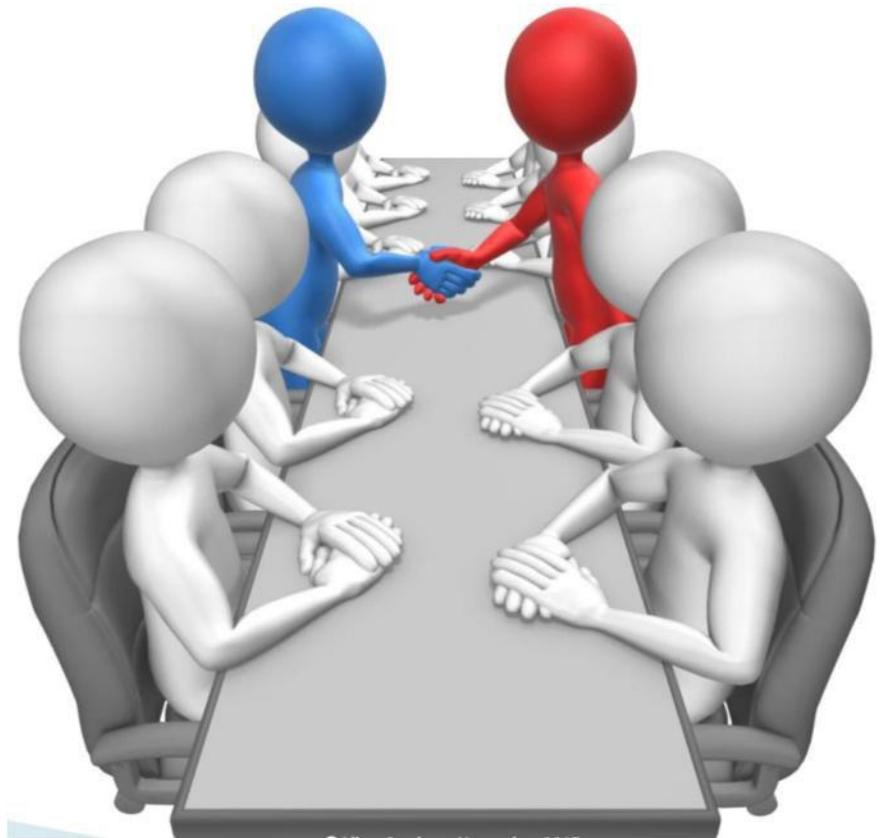
Strategists:

- Help organization gather, analyze, and organize information.
- Track industry and competitive trends.
- Develop forecasting model.
- Evaluate corporate and divisional performance.



Strategic management

Strategic management, therefore, integrates the activities of the various functional sectors of a business, such as marketing, sales, production etc., to achieve organizational goals.



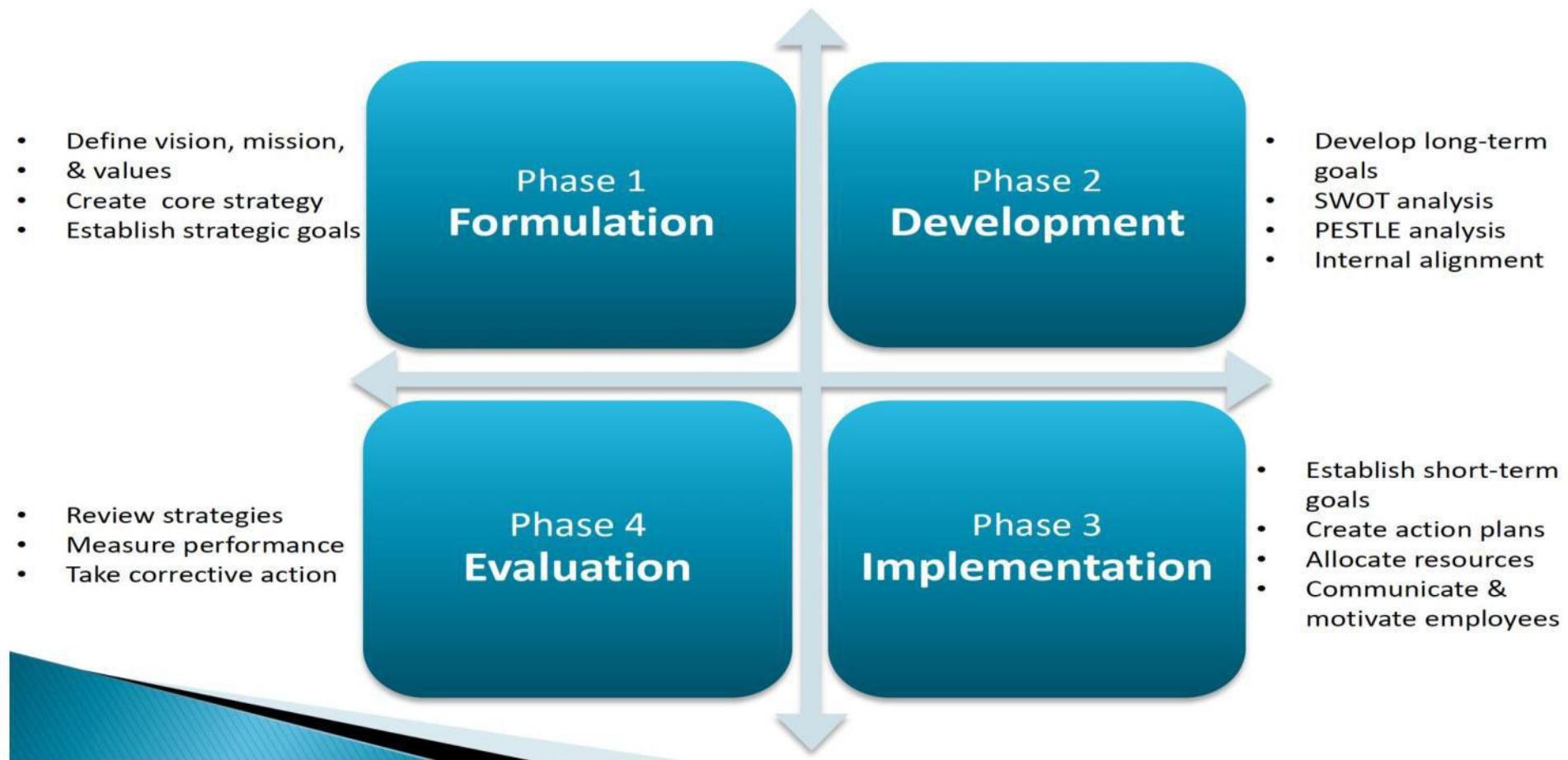
Two CEOs in the same industry in the same country

Do you think they will have the same strategy? Most likely not.

However, the million dollar question is which strategy is the most effective and efficient to achieve the organization's objectives.



Strategic Planning Process



Phase 1 Formulation

Vision Statement

It is the first step in strategic planning

A vision statement is the desired long term, future state of the organization

It is a philosophical goal of what an organization would like to achieve or accomplish in the mid-term or long-term future.

Vision statement answers the question:

“What do we want to become as a company?”

Vision Statements

- It is like a photograph of your future business, which gives your business shape and direction.
- Always keep your vision statement alive by revisiting it regularly and communicating your vision with other members of the team, to inspire and motivate them as well.
- Without a vision statement, your business will lack motivation to keep going.



WHAT GOES INTO A **VISION STATEMENT**



Be Concise



Be Clear



Have a Time
Horizon



Make It
Future-Oriented



Be Stable



Be Challenging



Be Abstract



Be Inspiring

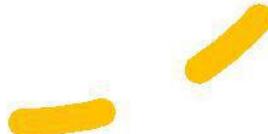
Eight items to consider when writing a vision statement

- 1. Be Concise:** It should be simple, easy to read and to the point, so that it can be set to memory and be repeated accurately.
- 2. Be Clear:** A good rule for clarity is to focus on one primary goal. One clear objective is easier to focus on and to be achieved.
- 3. Have a Time Horizon:** A time horizon is simply a fixed point in the future when you will achieve and evaluate your vision statement. Define that time.



Eight items to consider when writing a vision statement

4. **Make it Future-Oriented:** Again, the vision statement is not what the company is presently engaged in but rather a future objective where the company plans to be.
5. **Be Stable:** The vision statement is a long-term goal that should, ideally, not be affected by the market or technological changes.
6. **Be Challenging:** That said, you don't want to be timid in setting your goals. Your objective shouldn't be too easy to achieve, but also it shouldn't be so unrealistic as to be discarded.



Eight items to consider when writing a vision statement

7. **Be Abstract:** The vision statement should be general enough to capture the organization's interests and strategic direction.
8. **Be Inspiring:** Live up to the title of the document, and create something that will motivate employees and be desirable as a goal for all those involved in the organization.



Examples of vision statements

Tesla's vision statement: "To create the most compelling car company of the 21st century by driving the world's transition to electric vehicles."

IKEA's vision statement: "Our vision is to create a better everyday life for many people."

Nike's vision statement: "Bring inspiration and innovation to every athlete* in the world. (*If you have a body, you are an athlete.)

McDonald's vision statement: "To be the best quick service restaurant experience. Being the best means providing outstanding quality, service, cleanliness and value, so that we make every customer in every restaurant smile."

Phase 1 **Formulation**

Mission Statement

A mission statement identifies the scope of a firm's operations in product and/or services.

It addresses the basic question "What is our business?"

A clear mission statement describes the values and priorities of an organization.

A mission statement is a constant reminder to its employees of why the organization exists.

What goes into a Mission Statement



Seven items to consider when writing a mission statement

- 1. State Long-Term Goals:** The mission statement will reflect the long-term goals of your company. That includes what the company stands for, making it clear to its employees, its stakeholders and those outside the organization, such as customers, retailers, etc. Summarize your priorities, and make sure the statement reflects company culture.
- 2. State Values and Inspirations:** These elements are critical to a successful mission statement, which illustrate the company's values and serve as inspiration, while remaining specific.
- 3. Ask the Right Questions:** What does your team expect from the company? Who are your customers? How can you help them? What values are important to the company? Do you have a set of beliefs or morals? Do you adhere to an ethical standard? What are your founding principles? What do you aspire to? How do you define success? How is your company unique?



Seven items to consider when writing a mission statement

4. Be in Present

Tense: Remember, *vision* statements are about the future. *Mission* statements stay firmly in the present: who you are and what's important to you, now. Explain who you are today and write it clearly.

5. Be Concise: Mission statement should be short and to the point and ensure you use specific words summarize the company's unique position.



Seven items to consider when writing a mission statement

6. **Be Holistic:** The mission statement isn't coming from the C-level executives but reflects everyone in the organization. Each employee is part of the company process and, therefore, everyone is invested in its success.
7. **Be Revised :** Mission statements meant to reflect the time and place in which they were created. Therefore, times change and so should mission statements. Company's evolve in time and mission statements need to be revised.



Examples of mission statements

Elite Construction Company

To provide exceptional services to the insurance industry and their clients, the property owner. We are committed to providing the highest level of professionalism, service response, and quality workmanship.

Phase 1 Formulation

Organizational Values

Values are the operating principles that guide an organization's internal conduct as well as its relationship with its customers, partners, and shareholders.

Value statement is a brief description of the stakeholders and the behaviors that the organization considers to be most important.

Organizations are now including corporate social responsibility (CSR) in their value statements.

Examples of Value statements

American Express

Customer Commitment
Quality
Integrity
Teamwork
Respect for People

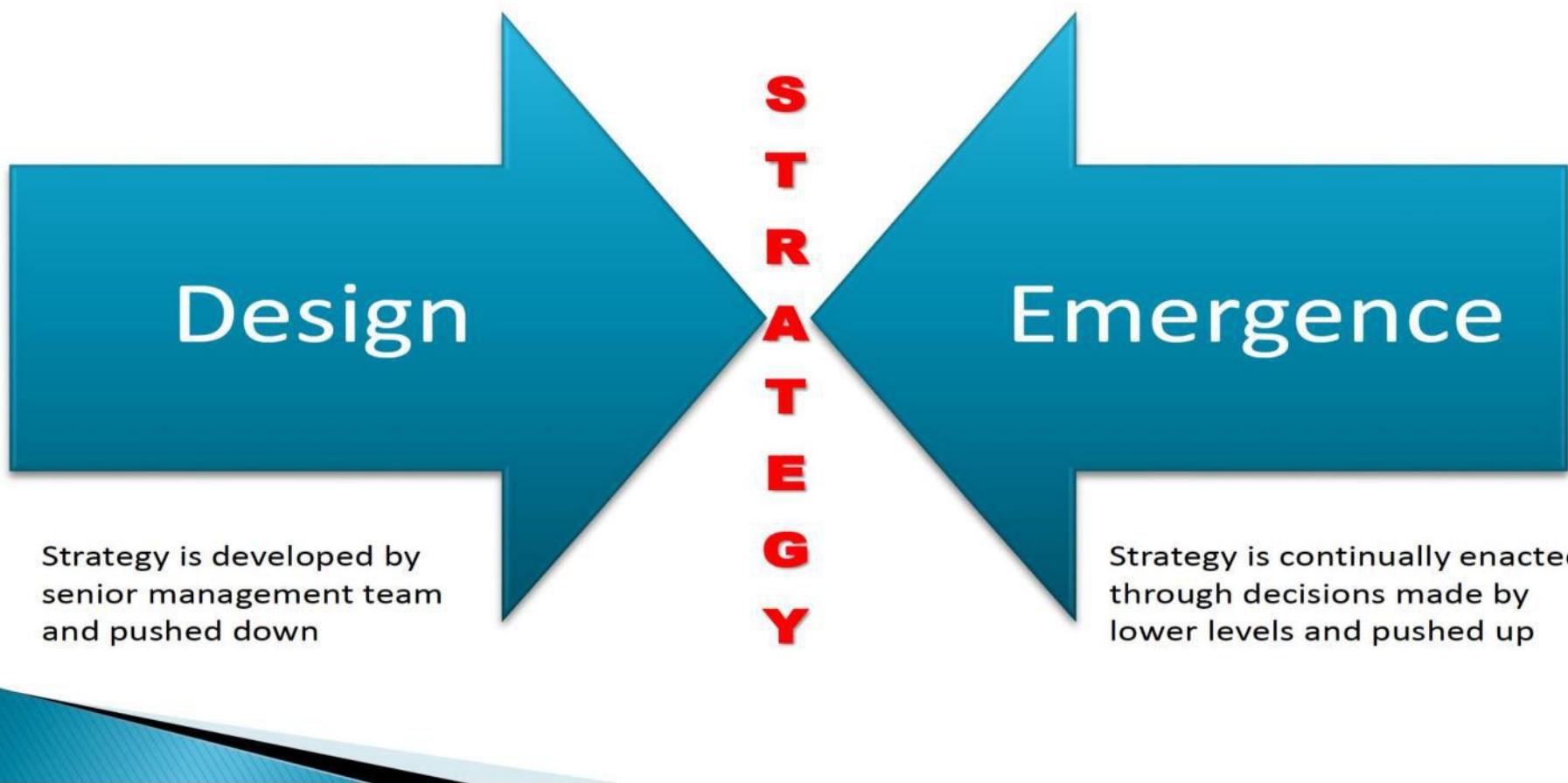
Barnes & Noble Booksellers

Customer Service
Quality
Empathy
Respect
Integrity
Responsibility
Teamwork

Examples of corporate social responsibility

- Reducing carbon footprints.
- Improving labor policies.
- Participating in fairtrade.
- Charitable giving.
- Volunteering in the community.

Modern Approach to Strategic Formulation



Phase 2 Development

Long-Term Objectives

Results to be achieved in pursuing the organization's mission. Time frame is beyond one year.

- State direction
- Aid in evaluation
- Reveal priorities
- Focus coordination
- Provide basis for effective management

Long-Term Objectives

To determine the long-term objectives it requires top management decisions and large amounts of firm's resources.

Mechanisms by which long-term objectives are realized by:

- ⑩ Geographic expansion
- ⑩ Diversification
- ⑩ Product development
- ⑩ Market penetration
- ⑩ Joint venture

Phase 2 Development

Strategy Development – SWOT Analysis

- SWOT analysis is a survey of the organization's strengths, weaknesses, opportunities and threats.
- Can integrate information regarding external environment and organization's capabilities.
- Requires analytical input from a diverse group of core business areas.
- Input must be brutally honest, creative, thorough, and comprehensive.

External Opportunities & Threats (OT)

Largely relies beyond the control of an organization, impacted by external factors such as:

- Economic
- Social
- Cultural
- Demographic
- Environmental
- Political
- Governmental
- Technological
- Competitive trends & events

Internal Strengths & Weaknesses (SW)

*Largely relies on the control of
an organization.*

*Controllable activities that are
performed well or poorly
relative to competitors*

- Based on functional analysis
of activities in the firm's:
 - ⑩ Management
 - ⑩ Marketing

Phase 3 Implementation

Strategy Implementation

- The most difficult step in the strategic process is the implementation stage.
- Most strategy implementations require change initiatives by:
 - ✓ Top –Down communication process
 - ✓ Employee motivation and buy-in (committed in the company's mission)
- Well-defined short-term objectives (6 months to 1 year)

Allocation of resources eg:

- i. Financial
- ii. Physical
- iii. Human
- iv. Technological

Phase 4 Evaluation

Strategy Evaluation

- Strategic Evaluation is defined as the process of determining the effectiveness of a given strategy in achieving the organizational objectives.
- This is done by:
- Reviewing External (opportunities & Threats) and Internal (Strengths & Weaknesses).
- Measuring performance.
- Conducting corrective action/s.

Strategy Evaluation: Measuring Performance

Areas to measure for increasing organizational returns
on strategy

Assets

Profitability

Sales

Productivity

Return on
Investment
Ratio

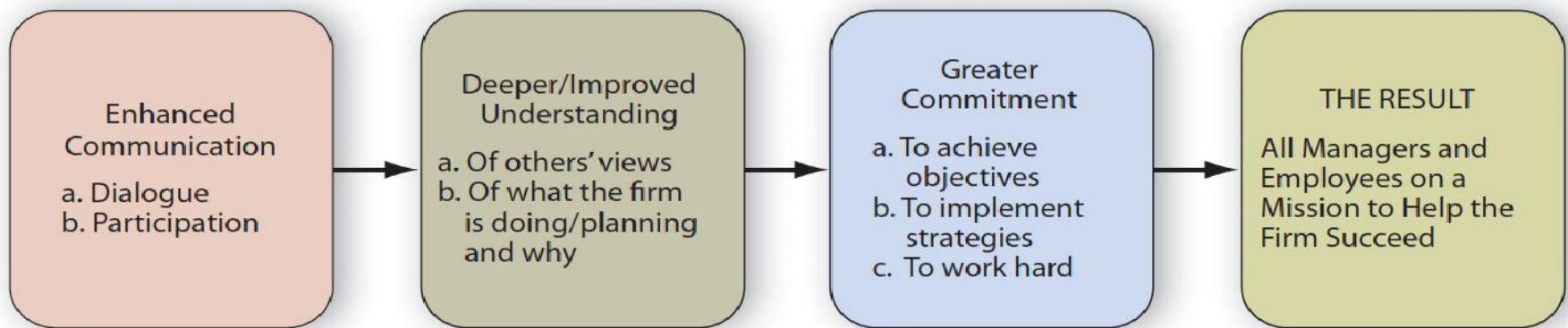
Employee
Satisfaction

Benefits of Strategic Management

- Gaining and maintaining a competitive advantage, which could relate to service or product that does better to its competitors.
- Having policies by which annual objectives will be achieved. These policies include guidelines, rules, and procedures.
- Significant improvement in sales, profitability, and productivity.
- Good anticipation of both short- and long-term consequences.
- Increase in employee's productivity, reduction in resistance to change, and a clearer understanding of performance–reward relationships.

FIGURE 1-2

Benefits to a Firm That Does Strategic Planning



Benefits of Strategic Management

Corporate Governance

- ▶ The process of how important strategic decisions are made and controlled in organizations
- ▶ Needed to protect shareholder's rights, enhance disclosure and transparency, and provide regulatory enforcement framework
- ▶ Considers the effects of the company's operations on all stakeholder groups

**Completed
Chapter 1 & 2**

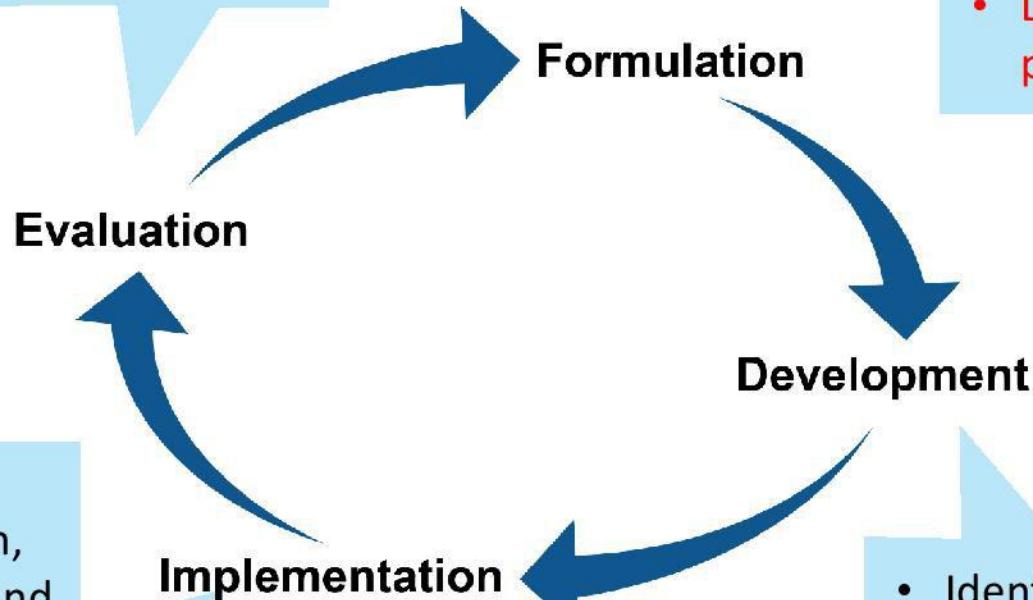
CHAPTER 3

The External Assessment

**Second session will discuss Chapter 3
(Approximately 1 hour session)**

- Evaluate results continually and at designated intervals.

- Gather and analyze information.
- Determine current position.



- Provide clear communication, coordination, and support.
- Control resources.

- Identify goals and tactics to frame the strategic plan.



Introduction External Audit

The purpose of an external audit is to develop a specific list of opportunities that could benefit a firm and threats that should be avoided.

External audit is aimed at identifying key variables that offer actionable responses.

Firms should respond by formulating strategies that take advantage of external opportunities or that minimize the impact of potential threats.

Key External Forces

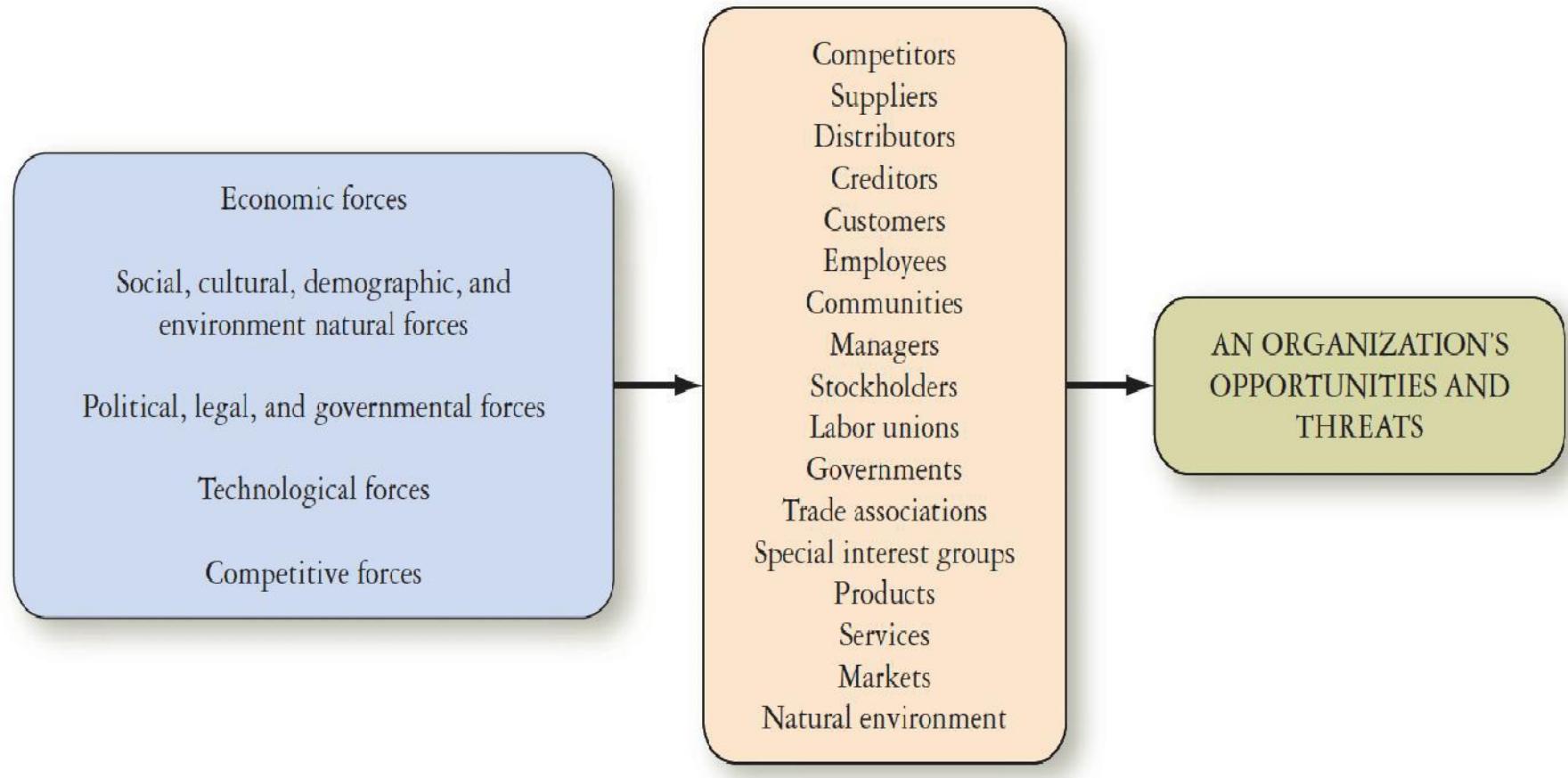
External forces can be divided into five broad categories:

- 1) Economic forces**
- 2) Social, cultural, demographic, and natural environment forces**
- 3) Political, governmental, and legal forces**
- 4) Technological forces**
- 5) Competitive forces.**



FIGURE 3-2

Relationships Between Key External Forces and an Organization



External Forces

External forces affect the types of products developed, the nature of positioning and market segmentation strategies.

External forces directly affect both suppliers and distributors.

Identifying and evaluating external opportunities and threats enables organizations to develop a clear mission, to design strategies to achieve long-term objectives, and to develop policies to achieve annual objectives.

PESTEL Analysis

PESTEL stands for:

P – Political Factors

E – Economic Factors

S – Social Factors

T – Technological Factors

E – Environmental Factors

L – Legal Factors



PESTEL Analysis

PESTEL is a tool used to analyse and monitor the six macro-environmental factors that may have a profound impact on an organisation's performance.

It is a tool to understand the long term trends and how might impact the business.

This tool is especially useful when starting a new business or entering a new market.

PESTEL ANALYSIS

P

Political

E

Economic

S

Social

T

Technological

E

Environmental

L

Legal

- Government policy
- Political stability
- Corruption
- Tax policy
- Labor law
- Trade restrictions

- Economic growth
- Exchange rate
- Interest rate
- Inflation rates
- Disposable income
- Unemployment rate

- Population growth rate
- Age distribution
- Career attitudes
- Safety emphasis
- Health consciousness
- Lifestyle attitudes
- Cultural barriers

- Technology incentives
- Level of innovation
- Automation
- R&D activity
- Technological change
- Technological awareness

- Weather
- Climate
- Environmental policies
- Climate change
- Pressures from NGO's

- Discrimination laws
- Antitrust laws
- Employment laws
- Consumer protection laws
- Copyright and patent laws
- Health and safety laws

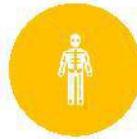
Process of External Audit



Involve as many managers & employees as possible



Gather competitive intelligence



Information about social, demographic, cultural, environmental, etc.



Monitor sources of information (key magazines, articles, etc.)



Utilization of Internet



Suppliers, distributors, customers as sources of information

Key External Factors



Vary over time



Vary by industry



Need to studied and evaluated.



Meetings to be conducted with company's senior managers to identify the most important opportunities and threats facing the firm.



Managers need to rank the external factors identified, from 1 for the most important opportunity/threat to 20 for the least important opportunity/threat.

Key External Factors

The most important key external factors should be communicated throughout the organisation.

Strategy need to be conducted and implemented for these identified most important opportunity/threat.

Economic Forces

Monitor Key Economic Variables:

- **Interest rates**
- **Inflation rates**
- **Money market rates**
- **Consumption patterns**
- **Unemployment trends**
- **Worker productivity levels**
- **Stock market trends**
- **Import/export factors**
- **And many more...**



Social,
Cultural,
Demographic,
and Natural
Environment
Forces

Major impact on:

- **Products**
- **Services**
- **Markets**
- **Customers**

- **New trends are creating a different type of consumer and, consequently, a need for different products, different services, and different strategies.**

Key Social, Cultural, Demographic, and Natural Environment Variables

- Number of marriages
- Number of divorces
- Number of births
- Number of deaths
- Per capita income
- Location and population
- Lifestyles
- Buying habits
- Government regulation
- Trust in government
- Attitudes toward product quality
- Attitudes toward customer service
- Recycling
- Waste management
- Air pollution
- Water pollution
- And many more in Table 3.5 p. 67

Political, Governmental, and Legal Forces

- **Government new Acts and/or regulation**
- **World oil, currency, & labor markets**
- **Environmental protection laws**
- **Equal employment laws**
- **Level of government subsidies**
- **China-American relationships**
- **Russian-American relationships**
- **European-American relationships**
- **Import-export regulations**
- **Political conditions in other countries**
- **Government budgets**
- **Tax law changes**
- **Monetary policy**

Technological Forces

Technological forces represent major opportunities and threats that must be considered in formulating strategies.

Technological advancements can dramatically affect organizations' products, services, markets, suppliers, distributors, competitors, customers, manufacturing processes, marketing practices, and competitive position.

Technological advancements can create new markets, result in new and improved products and/or service, and change the relative competitive cost positions in an industry.

In high-tech industries, identification and evaluation of key technological opportunities and threats can be the most important part of the external strategic-management audit.

Competitive Forces

Collecting and evaluating information on competitors is essential for successful strategy formulation.

There are challenges:

Identifying major competitors is not always easy because many firms have divisions that compete in different industries.

Many Companies do not provide sales and profit information for competitive reasons.

Privately held firms do not publish any financial or marketing information.



TABLE 3-9 Key Questions About Competitors

1. What are the major competitors' strengths?
 2. What are the major competitors' weaknesses?
 3. What are the major competitors' objectives and strategies?
 4. How will the major competitors most likely respond to current economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive trends affecting our industry?
 5. How vulnerable are the major competitors to our alternative company strategies?
 6. How vulnerable are our alternative strategies to successful counterattack by our major competitors?
 7. How are our products or services positioned relative to major competitors?
 8. To what extent are new firms entering and old firms leaving this industry?
 9. What key factors have resulted in our present competitive position in this industry?
 10. How have the sales and profit rankings of major competitors in the industry changed over recent years? Why have these rankings changed that way?
 11. What is the nature of supplier and distributor relationships in this industry?
 12. To what extent could substitute products or services be a threat to competitors in this industry?
-

Porter's Five Forces of Competition Framework



Competitive Analysis: Porter's Five- Forces Model

- It conducted to determine market attractiveness
- Potential entry of new competitors eg china.
- Potential development of substitute products selling motorbikes, replaced with electrical bikes – could reduce the sales.
- Bargaining power of consumers, if you have exclusive product wont affect you, however, if not then customer will have the upper hand.
- Bargaining power of suppliers, if you have many suppliers to select from, to make your product, then you have the upper hand if not (eg only 2 or 3 suppliers then suppliers have the upper hand).
- If these four forces are strong, then the rivalry will be also strong, therefore not attractive market to be in.

Need to state the current threat situation, then predict the situation for the near future

Eg: current situation: High

Near future: Higher

Must

SECTION CONCLUSION OF 5 FORCES MODEL

FORCE	CURRENT SITUATION	NEAR FUTURE
Rivalry among competitors	High	Higher
Threat of new entrants	High	High
Threat of substitute products	Average	High
Bargaining power of buyers	Strong	Stronger
Bargaining power of suppliers	Low	Low
Barrier to enter	High	High
Barrier to exit	Average	Average

The External Factor Evaluation (EFE) Matrix

An External Factor Evaluation (EFE) Matrix allows strategists to summarize and evaluate economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive information.

Refer to below Table

Key External Factors	First column →	Weight	Rating	Weighted Score
		Second column	Third column	
Opportunities				
1. Rowan County is growing 8% annually in population	0.05	3		0.15
2. TDB University is expanding 6% annually	0.08	4	Max 4	0.32
3. Major competitor across town recently ceased operations	0.08	3		0.24
4. Demand for going to cinema growing 10% annually	0.07	2		0.14
5. Two new neighborhoods being developed within 3 miles	0.09	1	Min 1	0.09
6. Disposable income among citizens grew 5% in prior year	0.06	3		0.18
7. Unemployment rate in county declined to 3.1%	0.03	2		0.06
Threats				
8. Trend toward healthy eating eroding concession sales	0.12	4		0.48
9. Demand for online movies and DVDs growing 10% annually	0.06	2		0.12
10. Commercial property adjacent to cinemas for sale	0.06	3		0.18
11. TDB University installing an on-campus movie theatre	0.04	3		0.12
12. County and city property taxes increasing 25% this year	0.08	2		0.16
13. Local religious groups object to R-rated movies being shown	0.04	3		0.12
14. Movies rented from local Blockbuster store up 12%	0.08	2		0.16
15. Movies rented last quarter from Time Warner up 15%	0.06	1	Lowest 1.0 Bad Max: 4.0 Best	0.06
Total	Must add to 1.00	1.00		2.58

EFE Matrix can be developed in five steps:



Step 1:



List key external factors include approx. 15 to 20 factors, mix of both opportunities and threats, that affect the company and its industry.



List the opportunities first and then the threats.



Provide weight or rating using percentages, ratios, and comparative numbers (be accurate as possible) located in the first column of the Table below.

EFE Matrix can be developed in five steps:



Step 2:



In the first column in the below Table, assign to each factor a “weight” that ranges from 0.0 (not important) to 1.0 (very important).



The weight indicates the relative importance of that factor to being successful in the firm’s industry. Therefore, the weights in this column are “industry based.”



Opportunities often receive higher weights than threats, however, threats can receive high weights if they are especially severe and/or threatening.

The sum of all weights assigned to “all factors” must equal 1.0.

EFE Matrix can be developed in five steps:



Step 3:



For the second column assign a rating between 1 and 4 to each key external factor to indicate how effectively the firm's current strategies respond to that specific factor.



Rating 4 = the response is superior

Rating 3 = the response is above average

Rating 2 = the response is average

Rating 1 = the response is poor



Ratings are based on effectiveness of the firm's strategies that are in place.

Therefore, the ratings are thus company-based.

EFE Matrix
can be
developed in
five steps:



Step 4:



Multiply each factor's weight by its rating to determine a weighted score located on the third column.



That is multiply first column with second column.



Have the final figure in the third column with two decimal points.

EFE Matrix
can be
developed in
five steps:



Step 5:



Sum the weighted scores for each variable to determine the total weighted score for the organization at the end of the third column.



Regardless of the number of key opportunities and threats included in an EFE Matrix, the highest possible total weighted score for an organization is 4.0 and the lowest possible total weighted score is 1.0.



The average total weighted score is 2.5.

EFE Matrix
can be
developed in
five steps:

A total weighted score of 4.0 indicates that an organization is responding in an outstanding way to existing opportunities and threats in its industry.

In other words, the firm's strategies effectively take advantage of existing opportunities and minimize the potential adverse effects of external threats.

A total score of 1.0 indicates that the firm's strategies are not capitalizing on opportunities or avoiding external threats.

An example of an EFE Matrix is provided in Table for a local ten theatre cinema complex

Note that the most important factor to being successful in this business is “Trend toward healthy eating eroding concession sales” as indicated by the 0.12 weight.

Also note that the local cinema is doing excellent in regard to handling two factors, “TDB University is expanding 6 percent annually” and “Trend toward healthy eating eroding concession sales.”

Note that the total weighted score of 2.58 is above the average (midpoint) of 2.5, so this cinema business is doing pretty well, taking advantage of the external opportunities and avoiding the threats facing the firm.

TABLE 3-12 EFE Matrix for a Local Ten-Theatre Cinema Complex

Key External Factors	Weight	Rating	Weighted Score
Opportunities			
1. Rowan County is growing 8% annually in population	0.05	3	0.15
2. TDB University is expanding 6% annually	0.08	4	0.32
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4. Demand for going to cinema growing 10% annually	0.07	2	0.14
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14. Movies rented from local Blockbuster store up 12%	0.08	2	0.16
15. Movies rented last quarter from Time Warner up 15%	0.06	1	0.06
Total	1.00		2.58

The Competitive Profile Matrix (CPM)

The Competitive Profile Matrix (CPM) identifies a firm's major competitors and its particular strengths and weaknesses in relation to a sample firm's strategic position.

The weights and total weighted scores in both a CPM and an EFE have the same meaning (4.0 is the best, 2.5 average and 1 is poor).

Critical success factors in a CPM include both internal and external issues.

The Competitive Profile Matrix (CPM)

The ratings refer to strengths and weaknesses

4 = major strength

3 = minor strength

2 = minor weakness

1 = major weakness.

The critical success factors in a CPM are not grouped into opportunities and threats as they are in an EFE.

This comparative analysis provides important internal strategic information.

The Competitive Profile Matrix (CPM)

Example of Competitive Profile Matrix is provided in Table 3-13.

In this example, the two most important factors to being successful in the industry are “advertising” and “global expansion,” as indicated by weights of 0.20.

If there were no weight column in this analysis, note that each factor then would be equally important.

Thus, having a weight column makes for a more robust analysis, because it enables the analyst to assign higher and lower numbers to capture perceived or actual levels of importance.

Note in Table 3-13 that Company 1 is strongest on “product quality,” as indicated by a rating of 4, whereas Company 2 is strongest on “advertising.”

Overall, Company 1 is strongest, as indicated by the total weighted score of 3.15.

TABLE 3-13 An Example Competitive Profile Matrix

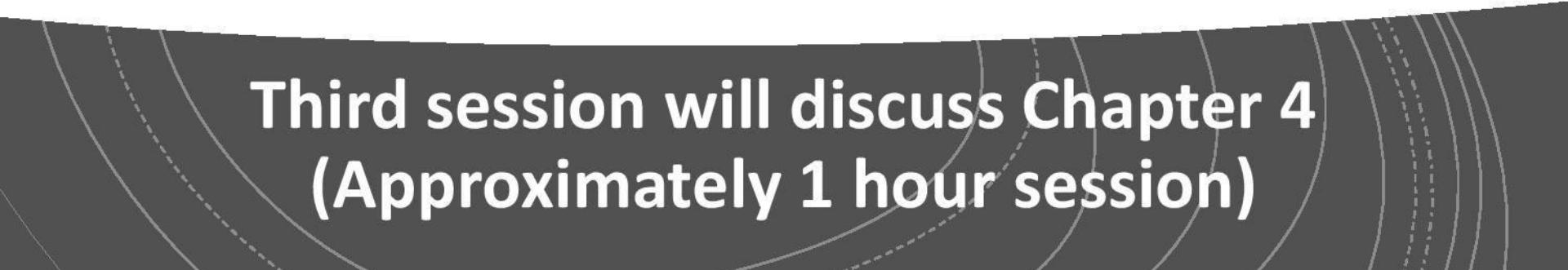
Critical Success Factors	Weight	Company 1		Company 2		Company 3	
		Rating	Score	Rating	Score	Rating	Score
Advertising	0.20	1	0.20	4	0.80	3	0.60
Product Quality	0.10	4	0.40	3	0.30	2	0.20
Price Competitiveness	0.10	3	0.30	2	0.20	4	0.40
Management	0.10	4	0.40	3	0.20	3	0.30
Financial Position	0.15	4	0.60	2	0.30	3	0.45
Customer Loyalty	0.10	4	0.40	3	0.30	2	0.20
Global Expansion	0.20	4	0.80	1	0.20	2	0.40
Market Share	0.05	1	0.05	4	0.20	3	0.15
Total	1.00		3.15		2.50		2.70

Note: (1) The ratings values are as follows: 1 = major weakness, 2 = minor weakness, 3 = minor strength, 4 = major strength.
(2) As indicated by the total weighted score of 2.50, Competitor 2 is weakest. (3) Only eight critical success factors are included for simplicity; this is too few in actuality.

**Completed
Chapter 3**

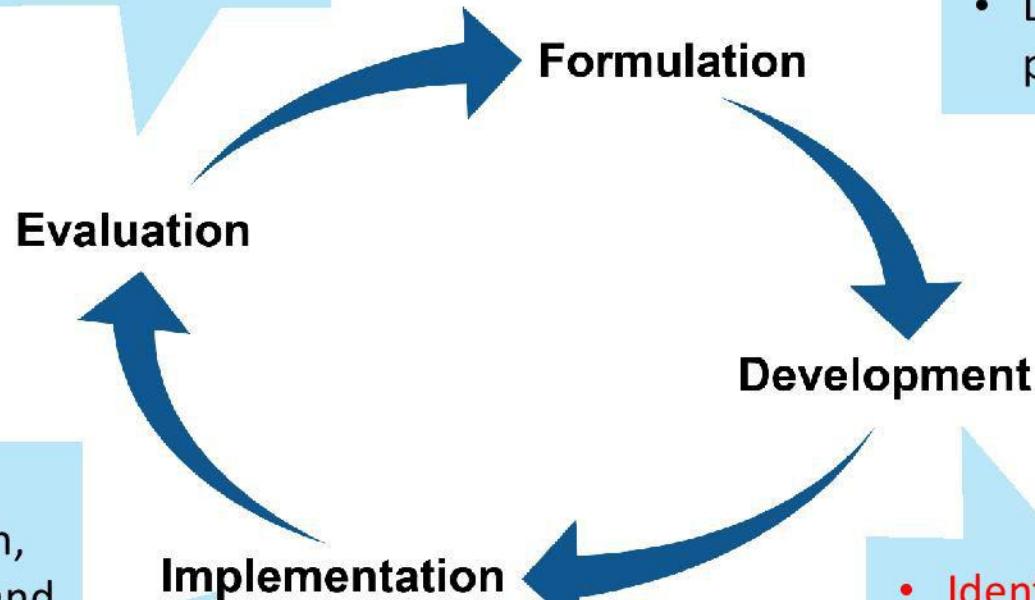
CHAPTER 4

The Internal Assessment



**Third session will discuss Chapter 4
(Approximately 1 hour session)**

- Evaluate results continually and at designated intervals.



- Provide clear communication, coordination, and support.
- Control resources.

- Gather and analyze information.
- Determine current position.

- Identify goals and tactics to frame the strategic plan.



Introduction Internal Audit

All organizations have strengths and weaknesses in the functional areas of business.

To determine these strengths and weaknesses, internal audits are conducted in every department, eg: HR, Finance, Operation, Management, Marketing, Sales, Research and Development (R&D), etc

Obtaining information and data from these departments to be analysed.

The purpose of Internal Audits

Internal strengths/weaknesses, coupled with external opportunities/threats and clear vision, mission statements will provide the basis for establishing the company's objectives and strategies.

Objectives and strategies are established with the intention of capitalizing upon internal strengths and overcoming the company's weaknesses.

Strategies to be designed to improve on a firm's weaknesses and turn into strengths.

The major advantage in conducting internal audits would provide the organization with "Competitive Advantage."

Competitive Advantage

When two or more companies compete within the same market, competitive advantage is a condition that enables a company to operate in a more efficient manner than its competitors, resulting in higher profit.

Competitive advantage is a value that the organization creates for its customers via its “strengths”.

Example: Provide better customer services by delivering the goods much quicker compared to its competitors.

Weaknesses can be turned into strengths by first acknowledging there are weaknesses.

Therefore, it is essential to determine the strengths and weaknesses for the organisation to achieve Competitive advantage.

FIGURE 4-2

The Process of Gaining Competitive Advantage in a Firm

Weaknesses \Rightarrow Strengths \Rightarrow Distinctive Competencies \Rightarrow Competitive Advantage

Internal Assessment

Internal assessment is a tool used to determine:

- ✓ Customer analysis
- ✓ Selling products/services
- ✓ Product and service planning
- ✓ Pricing
- ✓ Distribution
- ✓ Marketing research
- ✓ Opportunity analysis

This is conducted via communication, checklists, surveys, interviews, and obtaining data.

Managers and employees perform better when they understand how their work affects other areas and activities of the firm.

Performing an internal audit thus is an excellent method for improving the process of communication in the organization.

Internal Assessment
There are five functions for Management

Function

1

Planning

2

Organizing

3

Motivating

4

Staffing

5

Controlling

Stage of Strategic-
Management Process
When Most Important

Strategy Formulation

Strategy
Implementation

Strategy
Implementation

Strategy
Implementation

Strategy Evaluation

Internal
Assessment
for the
marketing
department
has seven
sections



Customer analysis



Selling products/services



Product and service planning



Pricing



Distribution



Marketing research



Opportunity analysis

Internal Assessment for the Production/Operations department has five sections



Process



Capacity



Inventory



Workforce



Quality

Questions to consider for Production/Operations department



Are suppliers of raw materials, parts, and subassemblies reliable and reasonable?



Are facilities, equipment, machinery, and offices in good condition and regularly maintained?



Are inventory-control policies and procedures effective?



Are quality-control policies and procedures effective?



Internal Assessment for the Research & Development department

Internal Assessment for the Research & Development department is critical one, because you need to determine:

- New suppliers, contractors, customers, market, product etc
- Improving manufacturing processes to reduce costs
- Latest technology and/or machinery to be utilized
- Your competitors' strategies
- Improving product quality

The Internal Factor Evaluation (IFE) Matrix

In conducting an internal strategic-management audit is to construct an Internal Factor Evaluation (IFE) Matrix.

This strategy-formulation tool summarizes and evaluates the major strengths and weaknesses in the functional areas of a business.

IFE Matrix can be developed in five steps:

Strengths			
1. Inventory turnover increased from 5.8 to 6.7	0.05	3	0.15
2. Average customer purchase increased from \$97 to \$128	0.07	4	0.28
3. Employee morale is excellent	0.10	3	0.30
4. In-store promotions resulted in 20 percent increase in sales	0.05	3	0.15
5. Newspaper advertising expenditures increased 10 percent	0.02	3	0.06
6. Revenues from repair/service segment of store up 16 percent	0.15	3	0.45
7. In-store technical support personnel have MIS college degrees	0.05	4	0.20
8. Store's debt-to-total assets ratio declined to 34 percent	0.03	3	0.09
9. Revenues per employee up 19 percent	0.02	3	0.06
Weaknesses			
1. Revenues from software segment of store down 12 percent	0.10	2	0.20
2. Location of store negatively impacted by new Highway 34	0.15	2	0.30
3. Carpet and paint in store somewhat in disrepair	0.02	1	0.02
4. Bathroom in store needs refurbishing	0.02	1	0.02
5. Revenues from businesses down 8 percent	0.04	1	0.04
6. Store has no Web site	0.05	2	0.10
7. Supplier on-time delivery increased to 2.4 days	0.03	1	0.03
8. Often customers have to wait to check out	0.05	1	0.05
Total	Must have sum of 1.0	1.00	2.50

IFE Matrix can
be developed
in five steps:



Step 1:



List key internal factors as identified in the internal-audit process.



Use a total of from 10 to 20 internal factors, including both strengths and weaknesses. List strengths first and then weaknesses.



Be as specific as possible, using percentages, ratios, and comparative numbers.

IFE Matrix can
be developed
in five steps:



Step 2:



Assign a weight that ranges from 0.0 (not important) to 1.0 (all-important) to each factor.



Factors considered to have the greatest effect on organizational performance should be assigned the highest weights.



The sum of all weights must equal 1.0 (no more or less than 1.0)

IFE Matrix can
be developed
in five steps:



Step 3:



Assign a 1 to 4 rating to each factor to indicate whether that factor represents major or minor weakness or strength



- Major weakness (rating = 1)
- Minor weakness (rating = 2)
- Minor strength (rating = 3)
- Major strength (rating = 4)



Note: that strengths must receive a 3 or 4 rating and weaknesses must receive a 1 or 2 rating.

IFE Matrix can
be developed
in five steps:



Step 4:



Multiply each factor's weight by its rating to determine a weighted score for each strength and weakness



Example: Store has no web site as weakness is $0.05 \times 2 = 0.10$ (weighted score)



Do this step for each strength and weakness to obtain a weighted score

IFE Matrix can
be developed
in five steps:



Step 5:



Sum the weighted scores for each variable
to determine the total weighted score for
the organization.



Regardless of how many factors are included in
an IFE Matrix, the total weighted score can range
from a “low of 1.0” to a “high of 4.0”, with the
“average score being 2.5”.



Total weighted scores well below 2.5 characterize
organizations that are weak internally.
Scores significantly above 2.5 indicate a strong internal
position.

An example of an IFE Matrix is provided in Table 4.10 for a retail computer store

Note that the two most important factors to be successful in the retail computer store business are “revenues from repair/service in the store” and “location of the store.”

Also note that the store is doing best on “average customer purchase amount” and “in-store technical support.”

The store is having major problems with its carpet, bathroom, paint, and checkout procedures.

Overall, this store receives a 2.5 total weighted score, which on a 1-to-4 scale is exactly average/halfway, indicating there is definitely room for improvement in store operations, strategies, policies, and procedures.

The IFE Matrix provides important information for strategy formulation. For example, this retail computer store might want to hire another checkout person and repair its carpet, paint, and bathroom problems.

Also, the store may want to increase advertising for its repair/services, because that is a really important (weight 0.15) factor to being successful in this business.

TABLE 4.10 A Sample Internal Factor Evaluation Matrix for a Retail Computer Store

Key Internal Factors	Weight	Rating	Weighted Score
Strengths			
1. Inventory turnover increased from 5.8 to 6.7	0.05	3	0.15
2. Average customer purchase increased from \$97 to \$128	0.07	4	0.28
3. Employee morale is excellent	0.10	3	0.30
4. In-store promotions resulted in 20 percent increase in sales	0.05	3	0.15
5. Newspaper advertising expenditures increased 10 percent	0.02	3	0.06
6. Revenues from repair/service segment of store up 16 percent	0.15	3	0.45
7. In-store technical support personnel have MIS college degrees	0.05	4	0.20
8. Store's debt-to-total assets ratio declined to 34 percent	0.03	3	0.09
9. Revenues per employee up 19 percent	0.02	3	0.06
Weaknesses			
1. Revenues from software segment of store down 12 percent	0.10	2	0.20
2. Location of store negatively impacted by new Highway 34	0.15	2	0.30
3. Carpet and paint in store somewhat in disrepair	0.02	1	0.02
4. Bathroom in store needs refurbishing	0.02	1	0.02
5. Revenues from businesses down 8 percent	0.04	1	0.04
6. Store has no Web site	0.05	2	0.10
7. Supplier on-time delivery increased to 2.4 days	0.03	1	0.03
8. Often customers have to wait to check out	0.05	1	0.05
Total	1.00		2.50

**Completed
Chapter 4**

CHAPTER 5

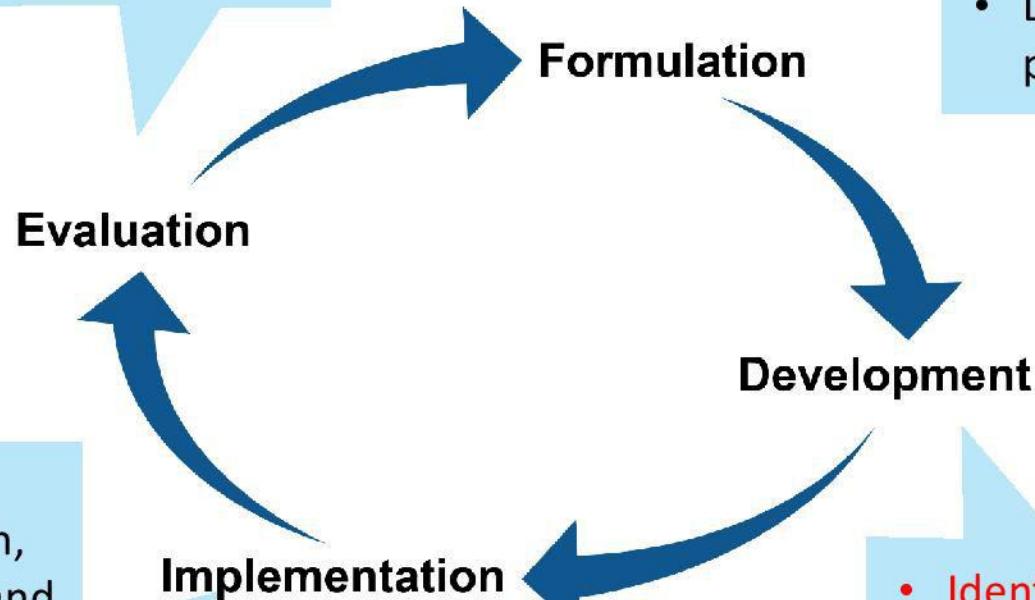
Strategies in Action

CHAPTER 6

Strategy Analysis and Choice

**Third session will discuss Chapter 5
(Approximately 1 hour session)**

- Evaluate results continually and at designated intervals.



- Provide clear communication, coordination, and support.
- Control resources.

- Gather and analyze information.
- Determine current position.

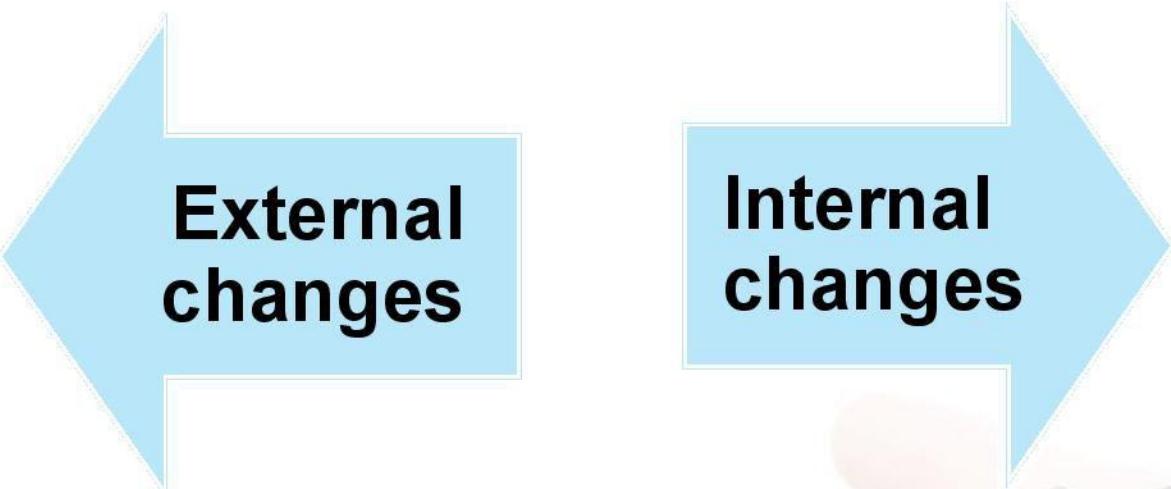
- Identify goals and tactics to frame the strategic plan.

Strategic Fit

- Describes the consistency of strategy with internal and external environments.
- Reflects interconnectedness and alignment of activities throughout the organization (e.g., resources and capabilities deployed toward strategic goals).
- Strategic fit exists when activities:
 - ✓ Are consistent with the strategy.
 - ✓ Interact with and reinforce each other.
 - ✓ Are “optimized” to reach the strategic goal.

Creating Competitive Advantage

There are two ways that an organization can create competitive advantage, and both involve change.



**External
changes**

Compete by adapting quickly to changes in the external environment.

**Internal
changes**

Compete through change, innovation, and reinvention.

Porter's Competitive Strategies

Cost Leadership

Lowest price

Economies of scale, efficient production, agility

Differentiation

Higher price for unique offering

Skillful marketing and quality management

Focus

Apply either strategy in segment or niche

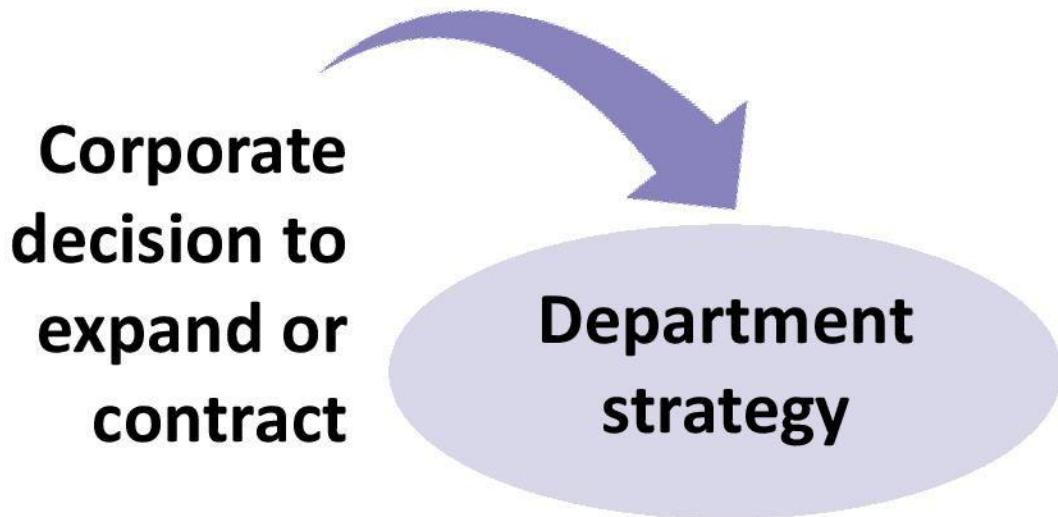
Growth Strategy Options

Each strategy requires different levels of investment and offers different levels of control and return.

- Strategic alliance
- Joint venture
- Equity partnership
- Merger/acquisition
- Franchising
- Licensing
- Contract manufacturing
- Management contract
- Turnkey operation
- Greenfield operation
- Brownfield operation

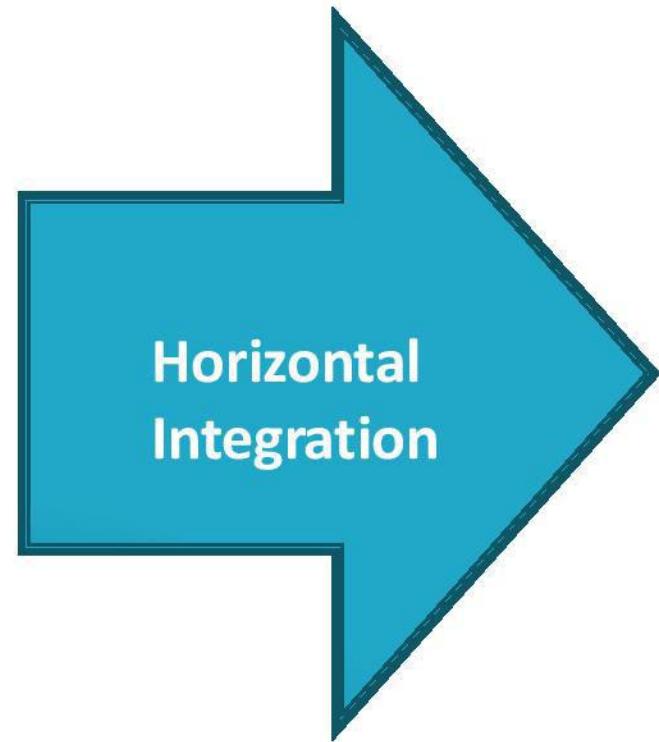
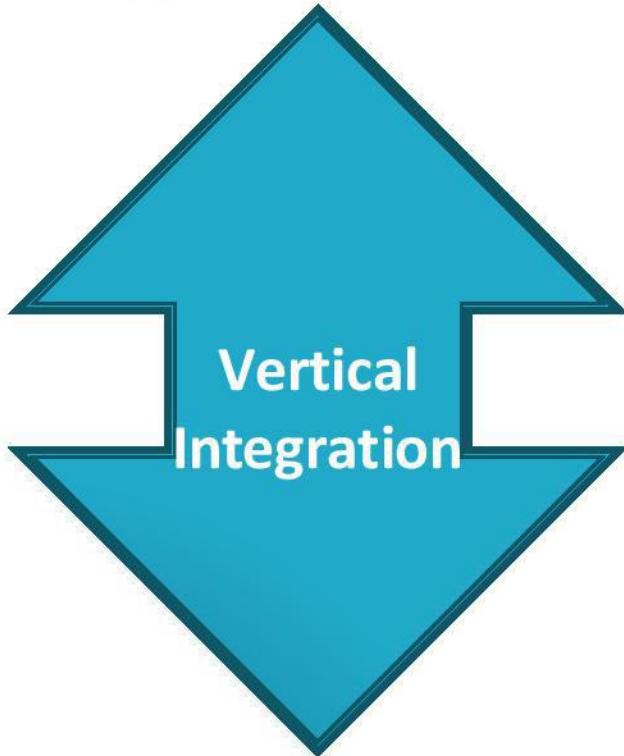
Divestiture Strategies

A **divestiture** or divestment is the reduction of an asset or business through sale, liquidation, exchange, closure, or any other means for financial or ethical reasons. It is the opposite of investment.



- Corporate strategies often involve expanding or contracting.
- Level of Dept. involvement varies.
- Example : HR can help capture lessons learned from decisions and actions, analyze the experiences, and communicate useful lessons for growth and divestitures.

Integration Strategy



Integration up or down a supply chain through which a company will control the production & distribution of products

Example: Ford Motor Company begins to manufacture glass for automobiles, eliminating buying from supplier

Expansion or addition of business activities at the same level of the value chain.

Example: a company may decide to pursue new customers, new products & new geographic locations through merger and acquisition

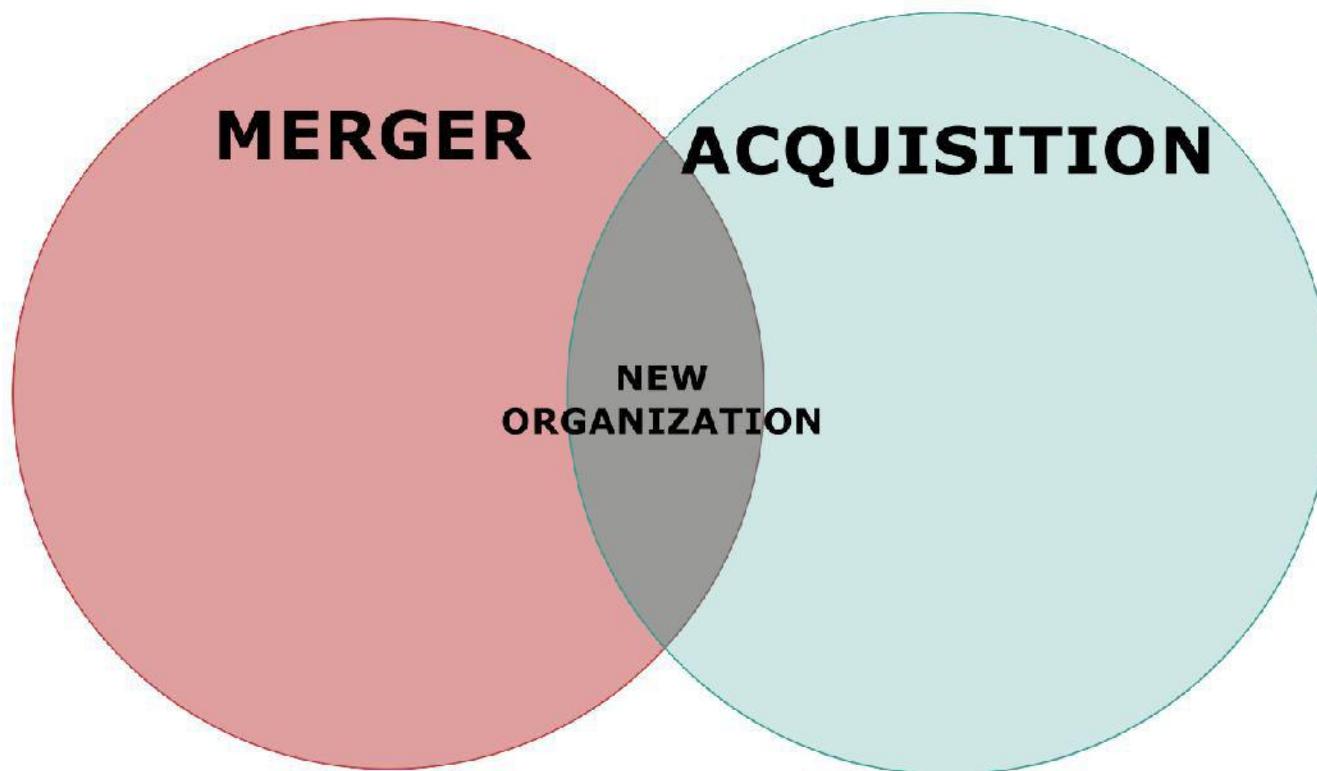
Types of Vertical Integration

- ▶ Backward
 - The company takes over ownership and control of producing its own components or other inputs. (KFC buys Dixie Cup Company)
- ▶ Forward
 - The company takes over ownership and control of activities previously undertaken by its customers. (GM acquires 25% of its independent dealerships)
- ▶ Full vertical integration
 - Everything the organization produces passes through the vertical integrated business unit
- ▶ Partial vertical integration
 - Only a portion of the overall production passes through the vertical integrated business unit and the rest through external market channels

Horizontal Integration

- ▶ Attractive to organizations wishing to rapidly expand their markets through acquisitions
- ▶ Drawbacks to horizontal integration include:
 - Organization will have a larger investment in the same market and so will be more exposed to risks of that market
 - In some industries, horizontal integration opportunities may be limited by regulation
 - In some industries, the traditional practices, policies, procedures and cultures of businesses acquired may be difficult to integrate

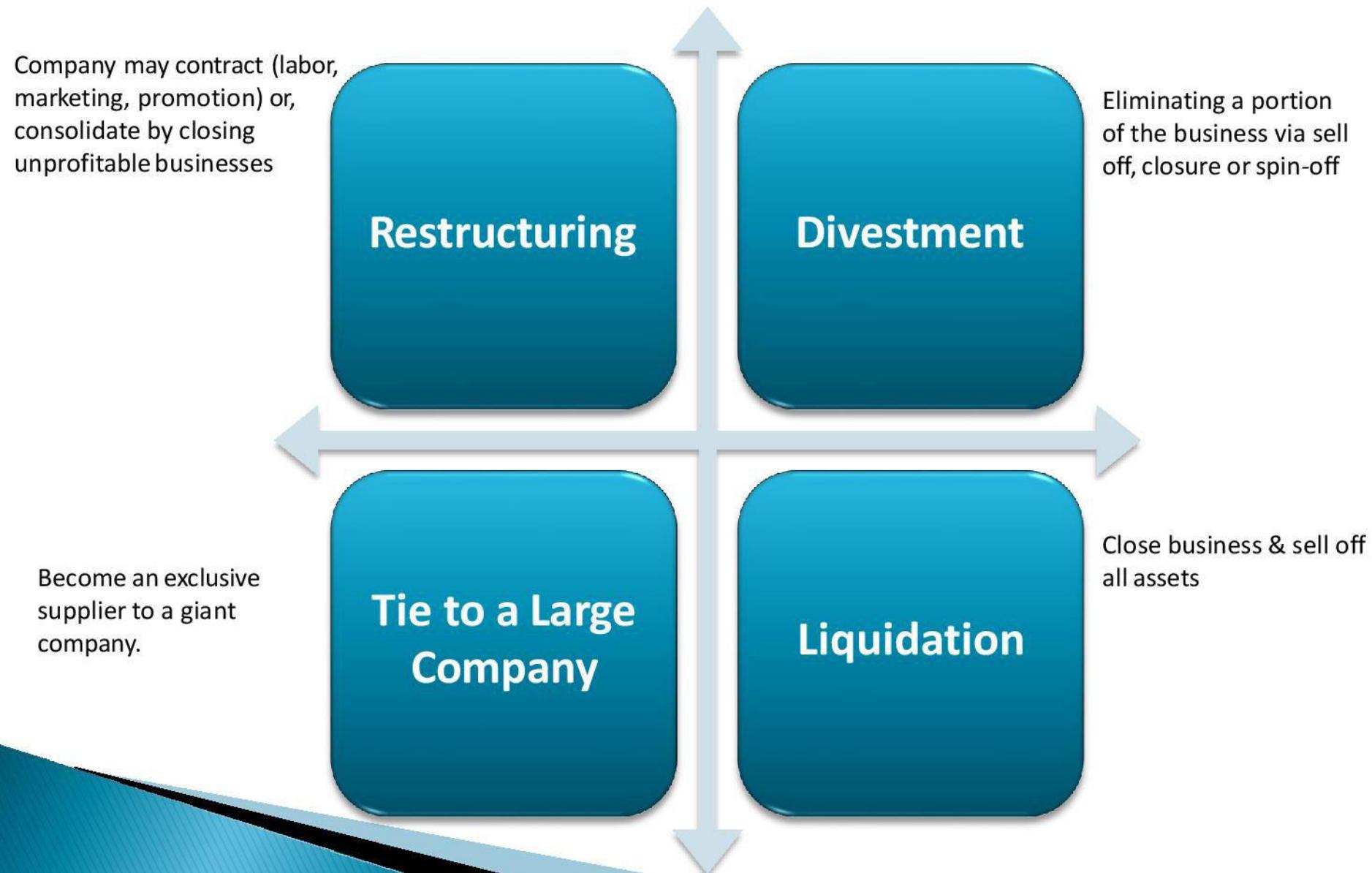
Mergers and Acquisitions



A merger is a combination of two companies into a bigger company. Both companies' stocks are surrendered and new company stock is issued in its place

An acquisition, also known as a takeover or a buyout, is the purchase of one company by another. An acquisition may be friendly or hostile.

Turnaround & Retrenchment Activities



Global Strategic Management

- ▶ Globalization is the integration of domestic markets and economies into single worldwide markets and the spread of business operations across large numbers of countries
- ▶ Global businesses are usually large businesses located in many countries or regions and operating with a global outlook.
- ▶ Offshoring is transferring specific operations to another country

Glocalization

▶ Glocalization

- Occurs when an organization with a strong global image maintains an equally strong local identity. Commonly seen in Transnational Corporations.

▶ Global Integration

- Emphasizes consistency of approach, standardization of processes and a common corporate culture across global operations.
- Decisions are made from a global perspective so the organization's brand and image are consistent and uniform.

▶ Local Responsiveness

- Emphasizes adapting to the needs of local markets and allows subsidiaries to develop unique products, structures and systems.

Stages of Internationalization

Selling products or services directly to customers or indirectly through agents, distributors, or trading companies

Exporting

Licensing
or
Franchising

Establishing a company's own facility with direct supervision. High cost and risk of overseas subsidiary

Foreign
Direct
Investment

Joint
Venture

Contractual arrangements that gives rights to operate under another's trademark

Partnering a project with an existing overseas business to gain entry into a foreign market

Structured Foreign Market Entry Approach

Assess the product in relation to the markets

Choose the right product for the right market

Set up objectives and goals utilizing sales targets and growth expectations

Root's Structured Entry Approach

Design the marketing plan, including issues of price, promotion and distribution

Choose the entry mode (export, licensing, direct investment, joint venture)

Global Business Structures

Organization clones itself & sets up replicas in different countries.
e.g. Philips locates medical electronics in U.S. and Japan

Multi-domestic

Multinational

Transnational

Global

A corporation with extensive ties in international operations in more than one foreign country. Examples are General Electric, Exxon, WalMart, Mitsubishi, Daimler Chrysler, etc...

An MNC that operates worldwide without being identified with a national home base. It is said to operate on a border less basis. Example: Nestle

Balancing global integration and national differentiation , setting up a global network of activities. e. g. P&G adopts global standardization (Pringles & Perfumes) and national differentiation for others products (hair coloring & laundry detergents)

Strategies in Action

Intensive Strategies

- Market penetration
- Market development
- Product development

Strategies in Action

Market Penetration

Defined

- Seeking increased market share for present products or services in present markets through greater marketing efforts



Example

- Ameritrade, the on-line broker, tripled its annual advertising expenditures to \$200 million to convince people they can make their own investment decisions.

Strategies in Action

Market Development

Defined

- Introducing present products or services into new geographic area



Example

- Britain's leading supplier of buses, Henlys PLC, acquires Blue Bird Corp. North America's leading school bus maker.

Strategies in Action

Product Development

Defined

- Seeking increased sales by improving present products or services or developing new ones

Example

- Apple developed the G4 chip that runs at 500 megahertz.

TABLE 5-4 Alternative Strategies Defined and Exemplified

Strategy	Definition	2009 Examples
Forward Integration	Gaining ownership or increased control over distributors or retailers	PepsiCo launched a hostile takeover of Pepsi Bottling Group after its \$4.2 billion offer was rejected
Backward Integration	Seeking ownership or increased control of a firm's suppliers	Chinese carmaker Geely Automobile Holdings Ltd. purchased Australian car-parts maker Drivetrain Systems International Pty. Ltd.
Horizontal Integration	Seeking ownership or increased control over competitors	Pfizer acquires Wyeth; both are huge drug companies
Market Penetration	Seeking increased market share for present products or services in present markets through greater marketing efforts	Coke spending millions on its new slogan "Open Happiness"
Market Development	Introducing present products or services into new geographic area	Time Warner purchased 31 percent of Central European Media Enterprises Ltd. in order to expand into Romania, Czech Republic, Ukraine, and Bulgaria
Product Development	Seeking increased sales by improving present products or services or developing new ones	News Corp.'s book publisher HarperCollins began producing audio books for download, such as Jeff Jarvis's "What Would Google Do?"
Related Diversification	Adding new but related products or services	Sprint Nextel Corp. diversified from the cell phone business by partnering with Garmin Ltd. to deliver wireless Internet services into GPS machines
Unrelated Diversification	Adding new, unrelated products or services	Cisco Systems Inc. entered the camcorder business by acquiring Pure Digital Technology
Retrenchment	Regrouping through cost and asset reduction to reverse declining sales and profit	The world's largest steelmaker, ArcelorMittal, shut down half of its plants and laid off thousands of employees even amid worker protests worldwide
Divestiture	Selling a division or part of an organization	The British airport firm BAA Ltd. divested three UK airports
Liquidation	Selling all of a company's assets, in parts, for their tangible worth	Michigan newspapers such as the <i>Ann Arbor News</i> , <i>Detroit Free Press</i> , and <i>Detroit News</i> liquidated hard-copy operations

A Comprehensive Strategy- Formulation Framework

There are three stages to achieve a Comprehensive Strategy-Formulation Framework

Stage 1 - The Input Stage

This stage summarizes the basic input information needed to formulate strategies (discussed in chapter 3 & 4).

Stage 2 - The Matching Stage

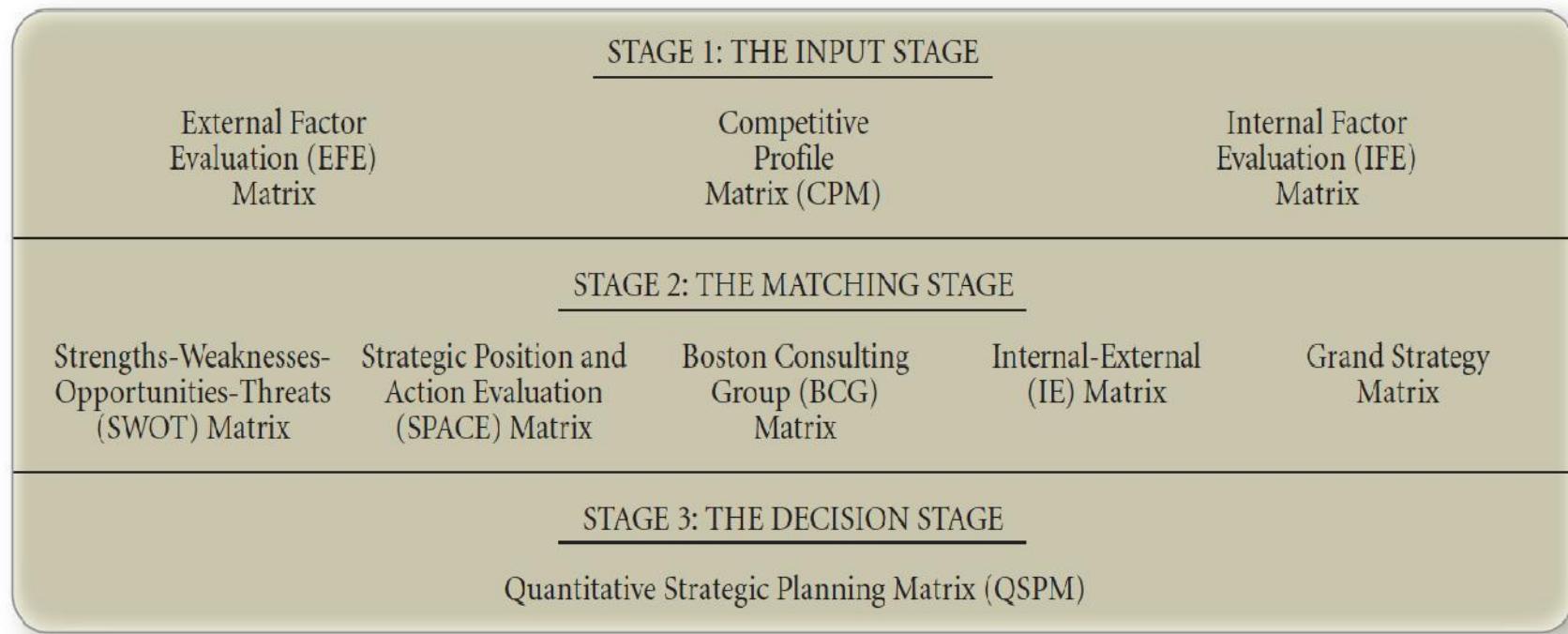
This stage focuses upon generating feasible alternative strategies by aligning key external and internal factors.

Stage 3 - The Decision Stage

This stage uses input information from Stage 1 to objectively evaluate feasible alternative strategies identified in Stage 2.

FIGURE 6-2

The Strategy-Formulation Analytical Framework



The Strategic Position and Action Evaluation (SPACE) Matrix

The Strategic Position and Action Evaluation (SPACE) Matrix, another important Stage 2 matching tool.

It has four-quadrant frameworks, indicating the most appropriate strategy for the organization

- 1. Aggressive strategy**
- 2. Conservative strategy**
- 3. Defensive strategy**
- 4. Competitive strategy**

SPACE Matrix

The axes of the SPACE Matrix represent two “internal dimensions” they are:

1. Financial position (FP)
2. Competitive position (CP)

And represent additional two “external dimensions” they are:

1. Stability position (SP)
2. Industry position (IP)

Refer to below table for the internal dimensions and external dimensions

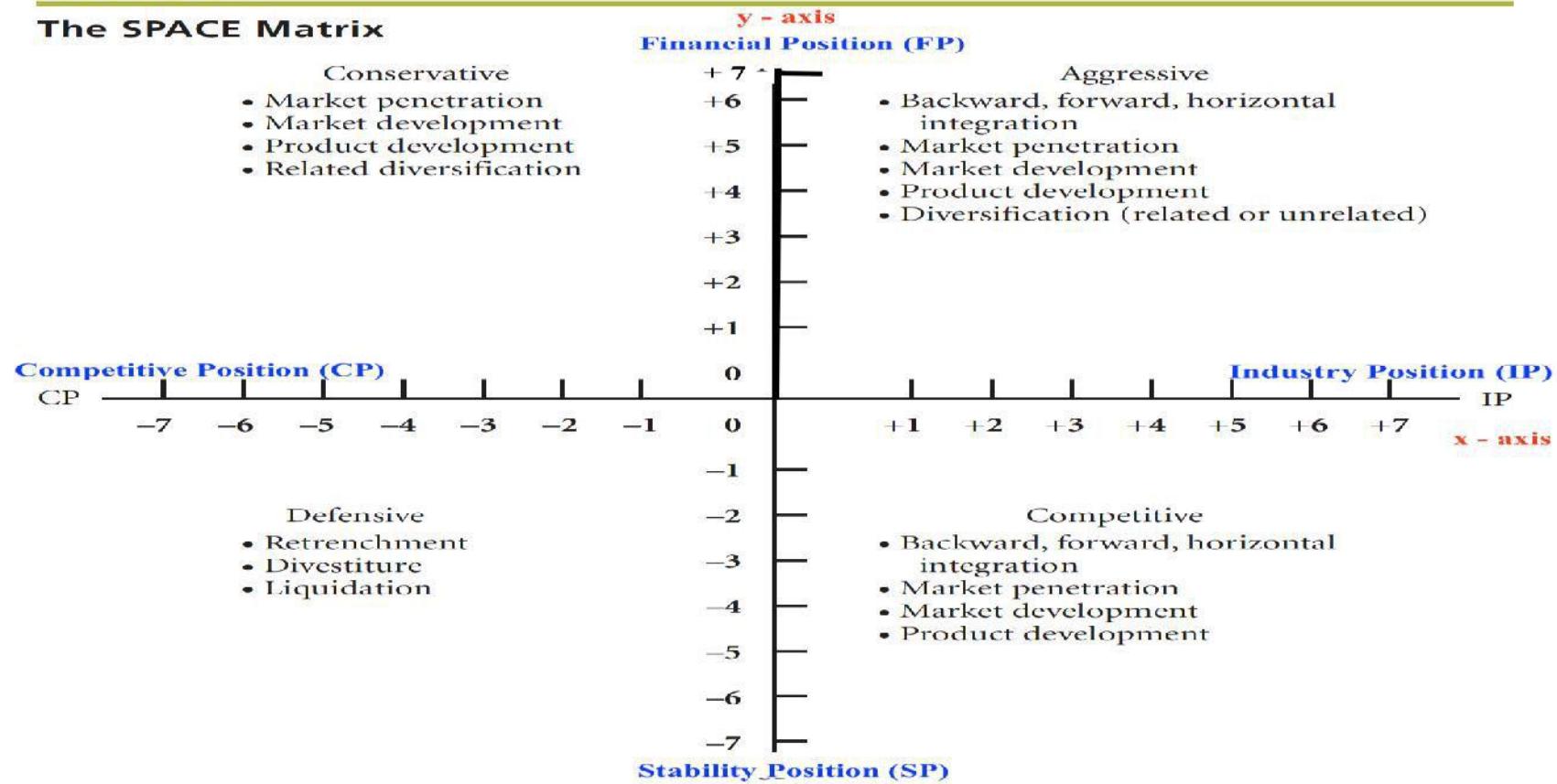
Please note, EFE and IFE Matrices should be considered in developing a SPACE Matrix.

TABLE 6-2 Example Factors That Make Up the SPACE Matrix Axes

Internal Strategic Position	External Strategic Position
<i>Financial Position (FP)</i>	<i>Stability Position (SP)</i>
Return on investment	Technological changes
Leverage	Rate of inflation
Liquidity	Demand variability
Working capital	Price range of competing products
Cash flow	Barriers to entry into market
Inventory turnover	Competitive pressure
Earnings per share	Ease of exit from market
Price earnings ratio	Price elasticity of demand
<i>Competitive Position (CP)</i>	<i>Industry Position (IP)</i>
Market share	Growth potential
Product quality	Profit potential
Product life cycle	Financial stability
Customer loyalty	Extent leveraged
Capacity utilization	Resource utilization
Technological know-how	Ease of entry into market
Control over suppliers and distributors	Productivity, capacity utilization

FIGURE 6-4

The SPACE Matrix



Example of Space Matrix exercise - BANK

Will determine which strategy to select

1. Aggressive strategy
2. Conservative strategy
3. Defensive strategy
4. Competitive strategy
5. Refer to Table 6.3 on page 184 from the textbook



TABLE 6-3 A SPACE Matrix for a Bank

Financial Position (FP)	Ratings
1. The bank's primary capital ratio is 7.23 percent, which is 1.23 percentage points over the generally required ratio of 6 percent.	1.0
2. The bank's return on assets is negative 0.77, compared to a bank industry average ratio of positive 0.70.	1.0
3. The bank's net income was \$183 million, down 9 percent from a year earlier.	3.0
4. The bank's revenues increased 7 percent to \$3.46 billion.	4.0
FP Average: $+9.0 / 4.0 = +2.25$	
Total: 9.0	

Industry Position (IP)

- | | |
|---|-----|
| 1. Deregulation provides geographic and product freedom. | 4.0 |
| 2. Deregulation increases competition in the banking industry. | 2.0 |
| 3. Pennsylvania's interstate banking law allows the bank to acquire other banks in New Jersey, Ohio, Kentucky, the District of Columbia, and West Virginia. | 4.0 |

IP Average: $+10.0 / 3 = +3.33$

Total: 10.0

Stability Position (SP)

- 1.Less-developed countries are experiencing high inflation and political instability. -4.0
- 2.Headquartered in Pittsburgh, the bank historically has been heavily dependent on the steel, oil, and gas industries.
These industries are depressed. -5.0
- 3.Banking deregulation has created instability throughout the industry. -4.0

SP Average: $-13.0 / 3 = -4.33$

Total: -13.0

Competitive Position (CP)

- | | |
|--|------|
| 1. The bank provides data processing services for more than 450 institutions in 38 states. | -2.0 |
| 2. Superregional banks, international banks, and nonbanks are becoming increasingly competitive. | -5.0 |
| 3. The bank has a large customer base. | -2.0 |

CP Average: -9.0 / 3 = -3.00

Total: -9.0

Conclusion

SP Average is $-13.0 \div 3 = -4.33$ IP Average is $+10.0 \div 3 = 3.33$

CP Average is $-9.0 \div 3 = -3.00$ FP Average is $+9.0 \div 4 = 2.25$

Directional Vector Coordinates: x-axis: $-3.00 + (+3.33) = +0.33$

CP **IP**

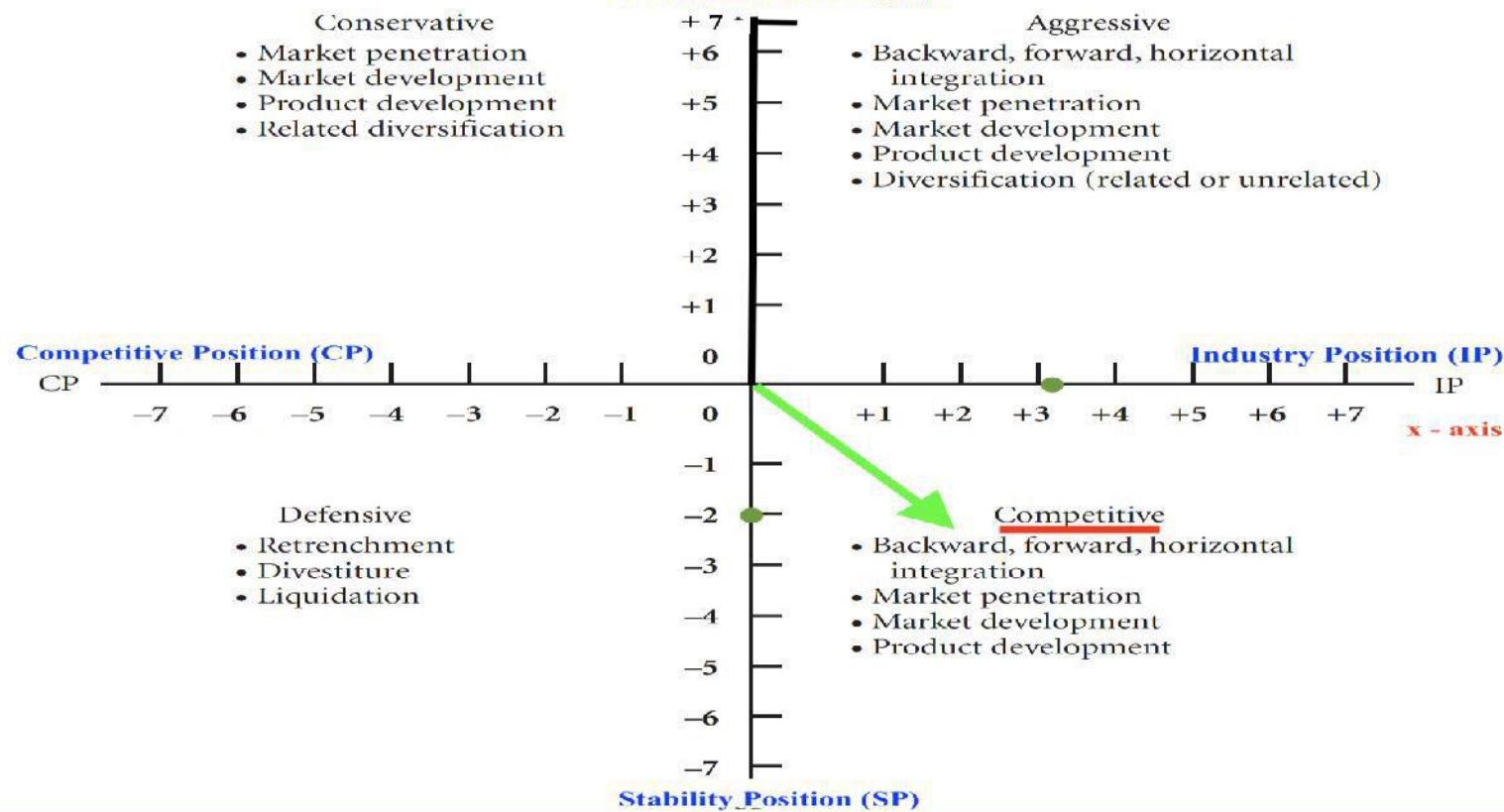
y-axis: $-4.33 + (+2.25) = -2.08$

SP **FP**

The bank should pursue Competitive Strategies.

FIGURE 6-4

The SPACE Matrix



Selected Strategy Management Tools Examples

Competitive Profile Matrix (CPM)

Definition

The **Competitive Profile Matrix (CPM)** is a tool that compares the firm and its rivals and reveals their relative strengths and weaknesses



Understanding the tool

In order to better understand the external environment and the competition in a particular industry, firms often use CPM. The matrix identifies a firm's key competitors and compares them using industry's critical success factors. The analysis also reveals company's relative strengths and weaknesses against its competitors, so a company would know, which areas it should improve and, which areas to protect. An example of a matrix is demonstrated below.

Competitive Profile Matrix (CPM)

Example

This is competitive profile matrix example of smartphones operating systems. The main competitors: Google's Android OS, Apple's iOS and Microsoft's Windows Phone operating systems will be compared to each other to find out their relative strengths and weaknesses.

Competitive Profile Matrix

Competitive Profile Matrix							
Critical Success Factors	Weight	Rating	Score	Rating	Score	Rating	Score
Advertising	0.11	3	0.33	3	0.33	4	0.44
Product Quality	0.17	4	0.68	3	0.51	2	0.34
Price competition	0.21	4	0.84	4	0.84	4	0.84
Management	0.09	3	0.27	3	0.27	4	0.36
Financial position	0.15	3	0.45	3	0.45	2	0.3
Market Share	0.14	3	0.42	4	0.56	2	0.28
Global Expansion	0.13	4	0.52	3	0.39	2	0.26
	1.00		3.51		3.35		2.82



External Factor Evaluation (EFE) Matrix

Definition

External Factor Evaluation (EFE) Matrix

is a strategy tool used to examine company's external environment and to identify the available opportunities and threats.



Understanding the tool

EFE matrix. Do the [PEST analysis](#) first. The information from the PEST analysis reveals which factors currently affect or may affect the company in the future. At this point, the factors can be either opportunities or threats and your next task is to sort them into one or the other category. Try to look at which factors could benefit the company and which ones would harm it.

You should also analyze your competitors' actions and their strategies.

This way you would know what competitors are doing right and what their strategies lack.

External Factor Evaluation (EFE) Matrix

Example

Below is the example of EFE matrix to address the strategic view on growth of the PC Market.

External Factors Evaluation Matrix								
Opportunities	W	R	WS	Threats	W	R	WS	
Accelerating growth of the PC market due to diversification and growth of computer buyer demographics	0.14	3	0.42	Fierce price and market share competition among computer manufacturers	0.15	3	0.45	
Integration of portable electronics into the lifestyle of urban people (fashionability)	0.12	3	0.36	Surplus of cheaper PCs and computer parts in the global market leading to lower profit margins	0.10	2	0.20	
Growing preference of the Unix workstation among IT professionals	0.03	3	0.09	Introduction of direct-sales approach and JIT delivery by Dell	0.10	3	0.30	
The rise of the laptop's popularity	0.08	3	0.24	Acquisition of Compaq by HP in 2002, making it the largest company in the industry	0.06	1	0.06	
Growing frustration with the Microsoft mono-culture and incessant worm and virus threats	0.07	4	0.28	Introduction of environmental regulations on financial responsibility of companies for recycling and disposal of used products.	0.10	3	0.30	
Continuous improvement of human-computer interfaces	0.05	4	0.20					
TOTAL (O+T)					1.00		2.90	

Internal Factor Evaluation (IFE) Matrix

Definition

Internal Factor Evaluation (IFE) Matrix

is a strategy tool used to evaluate firm's internal environment and to reveal its strengths as well as weaknesses



Understanding the tool

IFE matrix. In case you have done a [SWOT analysis](#) already, you can gather some of the factors from there. The SWOT analysis will usually have no more than 10 strengths and weaknesses, so you'll have to do additional analysis to identify more key internal factors for the matrix.

Look again into the company's resources, capabilities, organizational structure, culture, functional areas and value chain analysis and recognize the strong and weak points of the organization.

Internal Factor Evaluation (IFE) Matrix

(IFE) Cont....



Key Internal Factors	Weight	Rate 1 – 4	Weighted Score
Weaknesses			to
1. High price	0.08	2	0.16
2. Image of 'Fried'	0.07	3	0.21
3. Only chicken related recipe	0.09	2	0.18
4. Most of the product having close substitution in market	0.07	2	0.14
5. Inconsistent Quality of service in many outlets.	0.08	3	0.24
6. Lack of control in Joint-venture arrangements.	0.06	2	0.12
TOTAL	1.00		2.78

Internal-External (IE) Matrix

Definition

The **Internal-External (IE) matrix** is another strategic management tool used to analyze working conditions and strategic position of a business.

The **Internal External Matrix** or short **IE matrix** is based on an analysis of **internal** and **external** business factors which are combined into one suggestive model.



Understanding the tool

The IE matrix belongs to the group of strategic portfolio management tools. In a similar manner like the [BCG matrix](#), the IE matrix positions an organization into a nine cell matrix.

The IE matrix is based on the following two criteria:

- 1.Score from the **EFE matrix** -- this score is plotted on the **y-axis**
- 2.Score from the **IFE matrix** -- plotted on the **x-axis**

The IE matrix works in a way that you plot the total weighted score from the EFE matrix on the **y** axis and draw a horizontal line across the plane. Then you take the score calculated in the IFE matrix, plot it on the **x** axis, and draw a vertical line across the plane. The point where your horizontal line meets your vertical line is the determinant of your strategy. This point shows the strategy that your company should follow.

On the **x** axis of the IE Matrix, an IFE total weighted score of 1.0 to 1.99 represents a weak internal position. A score of 2.0 to 2.99 is considered average. A score of 3.0 to 4.0 is strong.

On the **y** axis, an EFE total weighted score of 1.0 to 1.99 is considered low. A score of 2.0 to 2.99 is medium. A score of 3.0 to 4.0 is high.

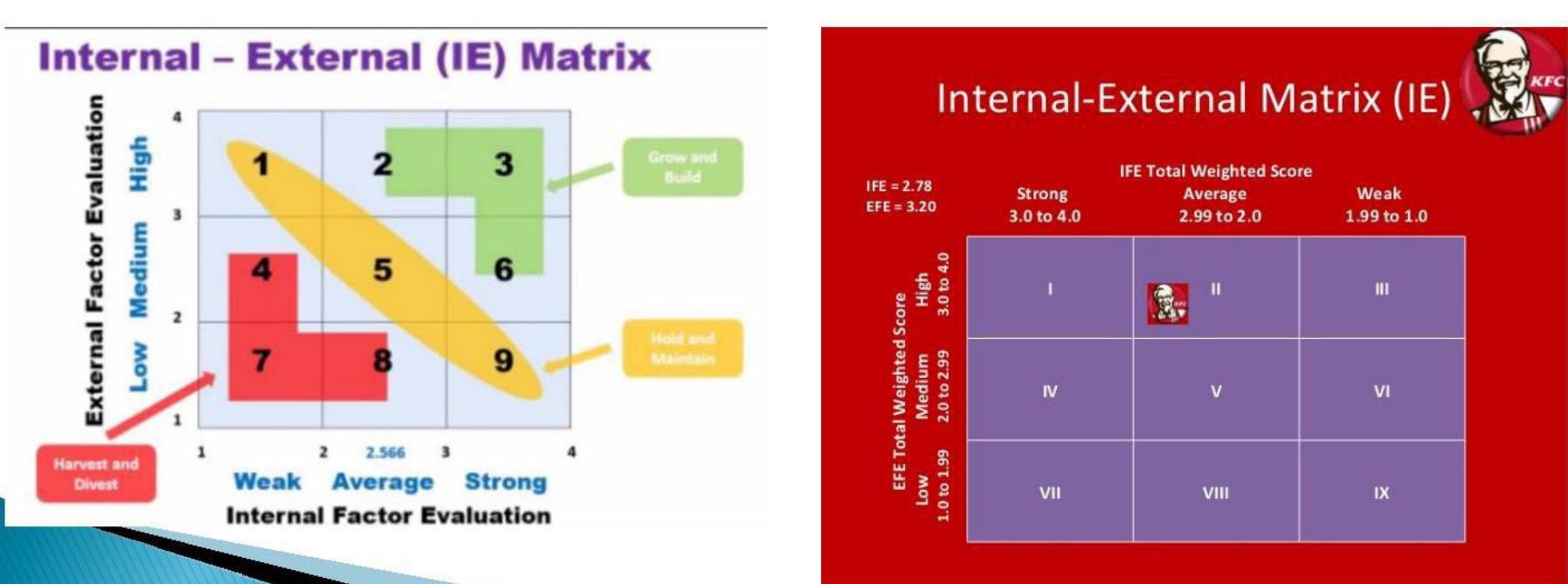
Internal-External (IE) Matrix

IE matrix example...

Let us take a look at an example. We calculated IFE matrix for an anonymous company on the [IFE matrix](#) page. The total weighted score calculated on this page is 2.79 which points at a company with an above-average internal strength.

We also calculated the EFE matrix for the same company on the [EFE matrix](#) page. The total weighted score calculated for the EFE matrix is 2.46 which suggests a slightly less than average ability to respond to external factors.

Now we plot these values on axes in the IE matrix.



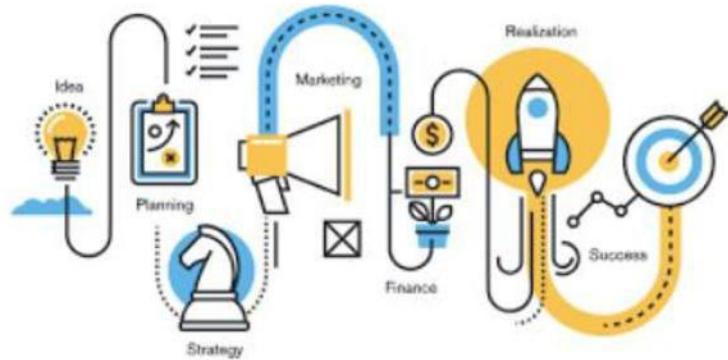
Growth Share Matrix / BCG Matrix

Definition

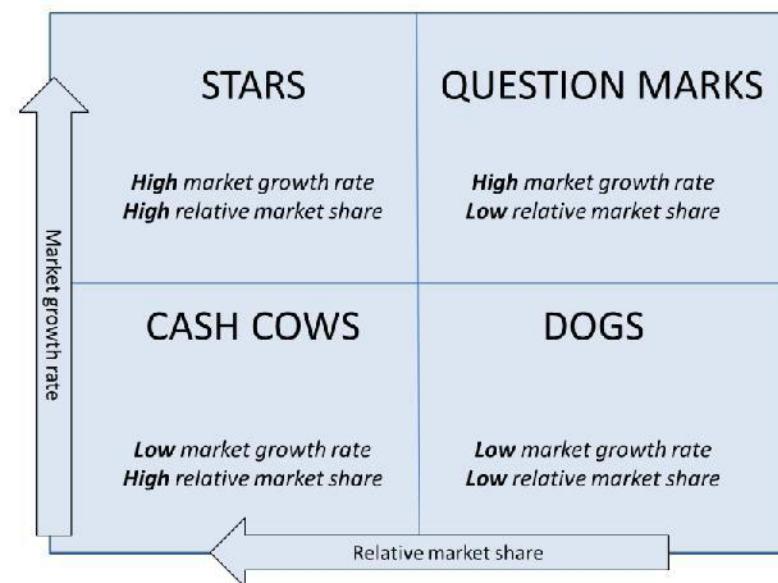
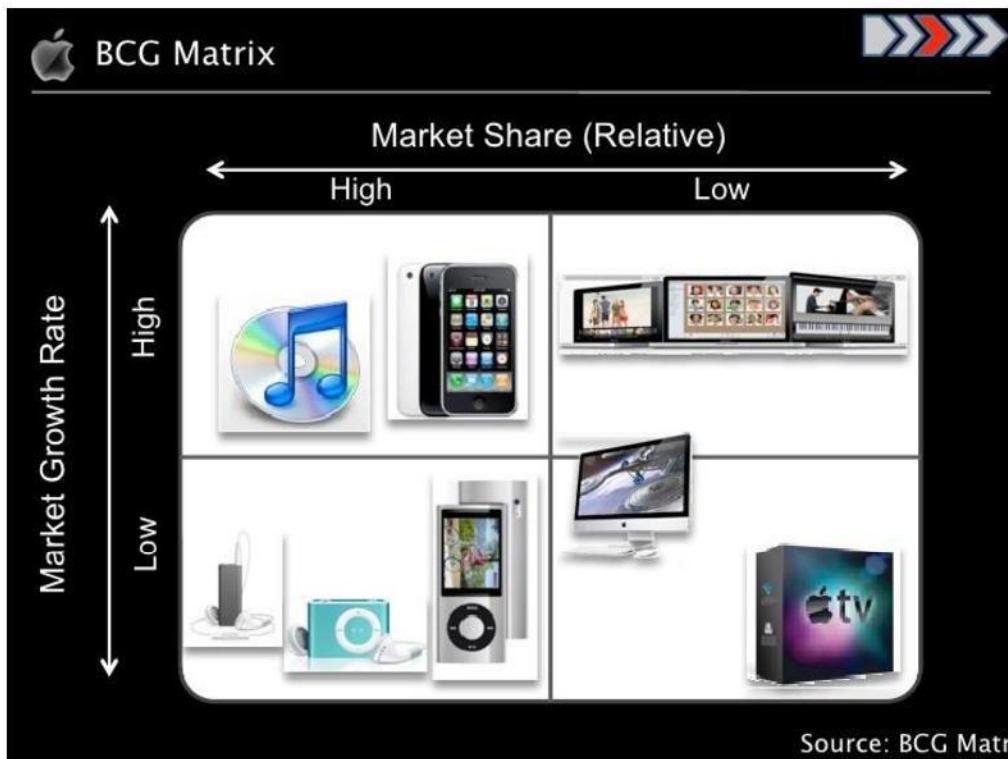
A framework to help companies think about the priority (and resources) that they should give to their different businesses

Understanding the tool

The growth share matrix is a framework first developed by the Boston Consulting Group (BCG) in the 1960s to help companies think about the priority (and resources) that they should give to their different businesses. Also known as the Boston matrix, it puts each of a firm's businesses into one of four categories. The categories were all given memorable names—cash cow, star, dog and question mark—which helped to push them into the collective consciousness of managers all over the world.



Growth Share Matrix / BCG Matrix



Strengths-Weaknesses-Opportunities-Threats (SWOT) Matrix

Definition

SWOT analysis (strengths, weaknesses, opportunities and threats analysis) is a framework for identifying and analyzing the internal and external factors that can have an impact on the viability of a project, product, place or person.



Understanding the tool

A SWOT analysis is often used at the start of or as part of a strategic planning exercise. The framework is considered a powerful support for decision-making because it enables an entity to uncover opportunities for success that were previously unarticulated or to highlight threats before they become overly burdensome. For example, this exercise can identify a market niche in which a business has a [competitive advantage](#) or help individuals plot career success by pinpointing a path that maximizes their strengths while alerting them to threats that can thwart achievement.

Strengths-Weaknesses-Opportunities-Threats (SWOT) Matrix

Example

SWOT Analysis



		STRENGTHS	WEAKNESSES
OPPORTUNITIES		SO – Strategy	WO – Strategy
O1. Increase outlets O2. Undeveloped market abroad O3. Increase trends to take meal out of home O4. Earn big profits as the population grows O5. Availability to increase the number of franchise to other countries.		* Introduced new recipes (S1,S2,O3) * Increase numbers of outlets in different countries (S3,O5) * Capture customer by introducing new deals (S6,O4)	* Introduce cheaper items in the menu (W1,O3) * Change the image of KFC from fried to Healthy (W2,O3) * Offer cow meat and vegetable food also (W4,O4)
THREATS		ST – Strategy	WT – Strategy
T1. New entrants / better quality brands T2. Health conscious eating habits T3. Animal care activists T4. No support from government agencies T5. Intensive Competition		* Introduce healthier recipes (S5,T2) * Differentiate as one providing in fastest service (S2,S4,T1) * Engage in CSR activities (S2,S4,T3)	* Work on the image of a healthy fast food chain through advertising (W2,T2) * Develop a strong culture of strong service (W5,T5)

Grand Strategy Matrix,

Definition

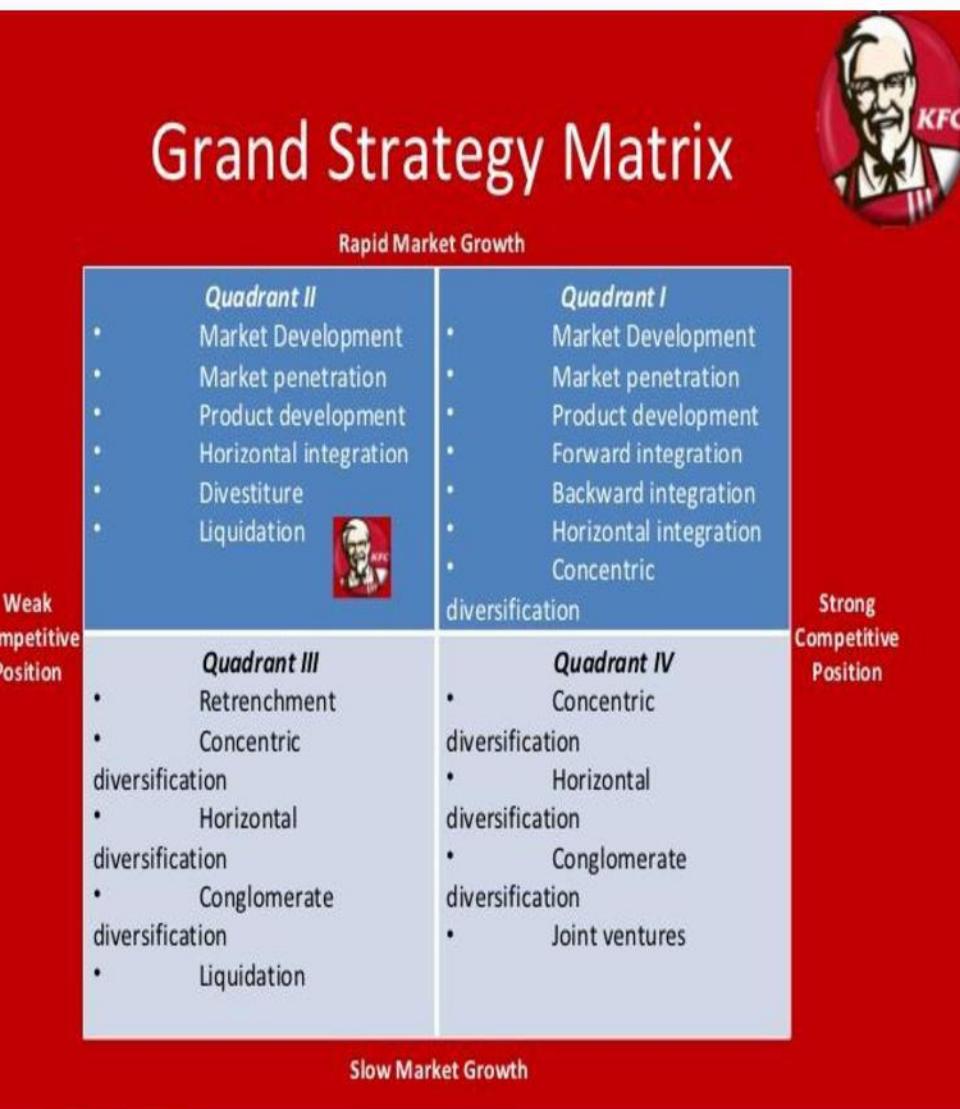
A **grand strategy** states the means that will be used to achieve long-term objectives. Examples of business **grand strategies** that can be customized for a specific firm include: concentration, market development, product development, innovation, horizontal integration, divestiture, and liquidation.



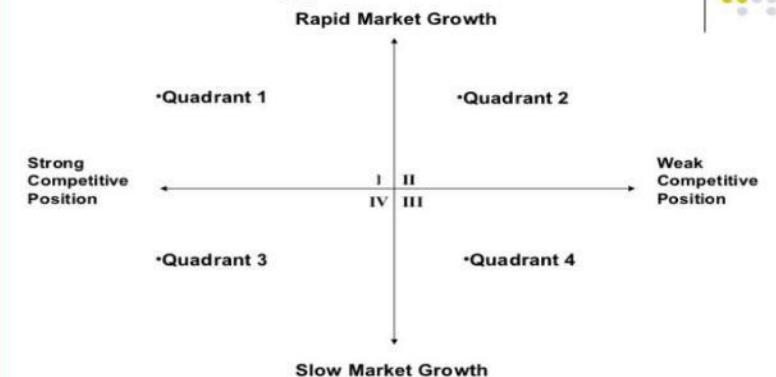
Understanding the tool

A **grand strategy matrix** consists of a four-quadrant graph, similar to a **SWOT matrix**, that lists strategic options for companies in either strong or weak competitive positions in industries experiencing either rapid or slow growth. Unlike a **SWOT matrix**, a grand strategy matrix reveals strategic options for virtually any business in a given industry within any stage of the industry's life cycle. In the quadrant corresponding to slow industry growth and a strong competitive position

Grand Strategy Matrix



Grand Strategy Matrix



Quantitative Strategic Planning Matrix (QSPM)

Definition

The Quantitative Strategic Planning Matrix is a strategic tool which is used to evaluate alternative set of strategies. The QSPM incorporate earlier stage details in an organize way to calculate the score of multiple strategies in order to find the best match strategy for the organization.



Understanding the tool

Quantitative Strategic Planning **Matrix (QSPM)** is a high-level strategic management approach for evaluating possible strategies. • **QSPM** provides an analytical method for comparing feasible alternative actions. • The **QSPM** method falls within so-called stage 3 of the strategy formulation analytical framework.

NETFLIX

QSPM

		<i>Increase advertising and R&D budgets by 15%</i>		<i>Expand by 15% into Latin America, Mexico, and China</i>		
Opportunities		Weight	A.S.	T.A.S.	A.S.	T.A.S.
1.	14.7 million people in the United States watch online videos.	0.08	3	0.24	1	0.08
2.	Digital distribution of media is growing at a rate of 30% a year.	0.06	4	0.24	3	0.18
3.	International markets account for over 50% of spending in US filmed entertainment.	0.07	1	0.07	4	0.28
4.	US TV market accounts for less than 15% of the world's TV households.	0.05	2	0.10	4	0.20
5.	China's box office annual growth rate continues to grow over 10% a year.	0.02	1	0.02	4	0.08
6.	Rivals such as Blockbuster are struggling with their business models.	0.04	1	0.04	2	0.08
7.	Consumers spent over \$20 billion on home video purchases in 2010.	0.05	2	0.10	3	0.15
8.	More people know English now than ever before.	0.03	1	0.03	3	0.09
9.	High price of an outing at the movie theater.	0.04	3	0.12	2	0.08
10.	Weak US Dollar makes global markets more attractive.	0.03	1	0.03	3	0.09
Threats		Weight	A.S.	T.A.S.	A.S.	T.A.S.
1.	Poor global economy has reduced personal spending.	0.04	2	0.08	1	0.04
2.	YouTube owns over 75% of the multimedia web market share.	0.10	0	0.00	0	0.00
3.	Time Warner Cable's movies on demand.	0.08	3	0.24	1	0.08
4.	Hulu, and ad based Streamer, provides TV shows and movies for free.	0.10	0	0.00	0	0.00
5.	DVRs are in 40% of US homes as of 2011.	0.03	3	0.09	1	0.03
6.	Barriers to entry are low as startups can be launched for relatively low costs.	0.05	0	0.00	0	0.00
7.	By law, Netflix cannot release new DVDs until 28 days after retail release.	0.03	0	0.00	0	0.00
8.	Increase in US postal fees would reduce profit margins.	0.03	0	0.00	0	0.00
9.	Infringements on Netflix patents, and other proprietary assets by decrease Netflix brand value.	0.04	0	0.00	0	0.00
10.	Netflix is the object of complaints regarding collusion with Wal-Mart.	0.03	0	0.00	0	0.00

**Completed
Chapter 6**

CHAPTER 7

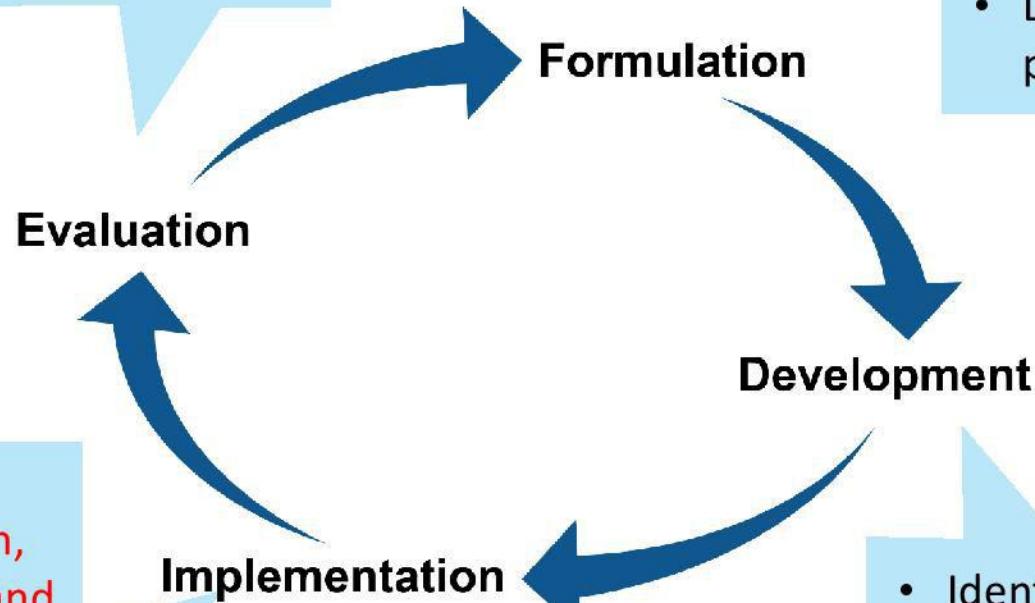
**Implementing
Strategies: Management
and Operations Issues**

CHAPTER 8

**Implementing
Strategies: Marketing,
Finance/Accounting,
R&D, and MIS Issues**

**Third session will discuss Chapter 7 & 8
(Approximately 1/2 hour session)**

- Evaluate results continually and at designated intervals.



- Provide clear communication, coordination, and support.
- Control resources.

- Gather and analyze information.
- Determine current position.

Communicating Strategy

- Communication occurs in different ways and at different levels.
Examples: Formal communication or team meetings
- The communication plan should include ongoing opportunities for feedback.

Core Elements of Success

- ✓ Two-way communication:
 - Outward to entire team
 - Inward toward leaders
- ✓ Leadership support
- ✓ Free flow of information across organizational “silos”
- ✓ Helping team members see how their work connects to the strategy

Managing Strategy Implementation

HR action plans are implemented through normal operations and through specific initiatives managed as time-limited projects.

Multiple phases

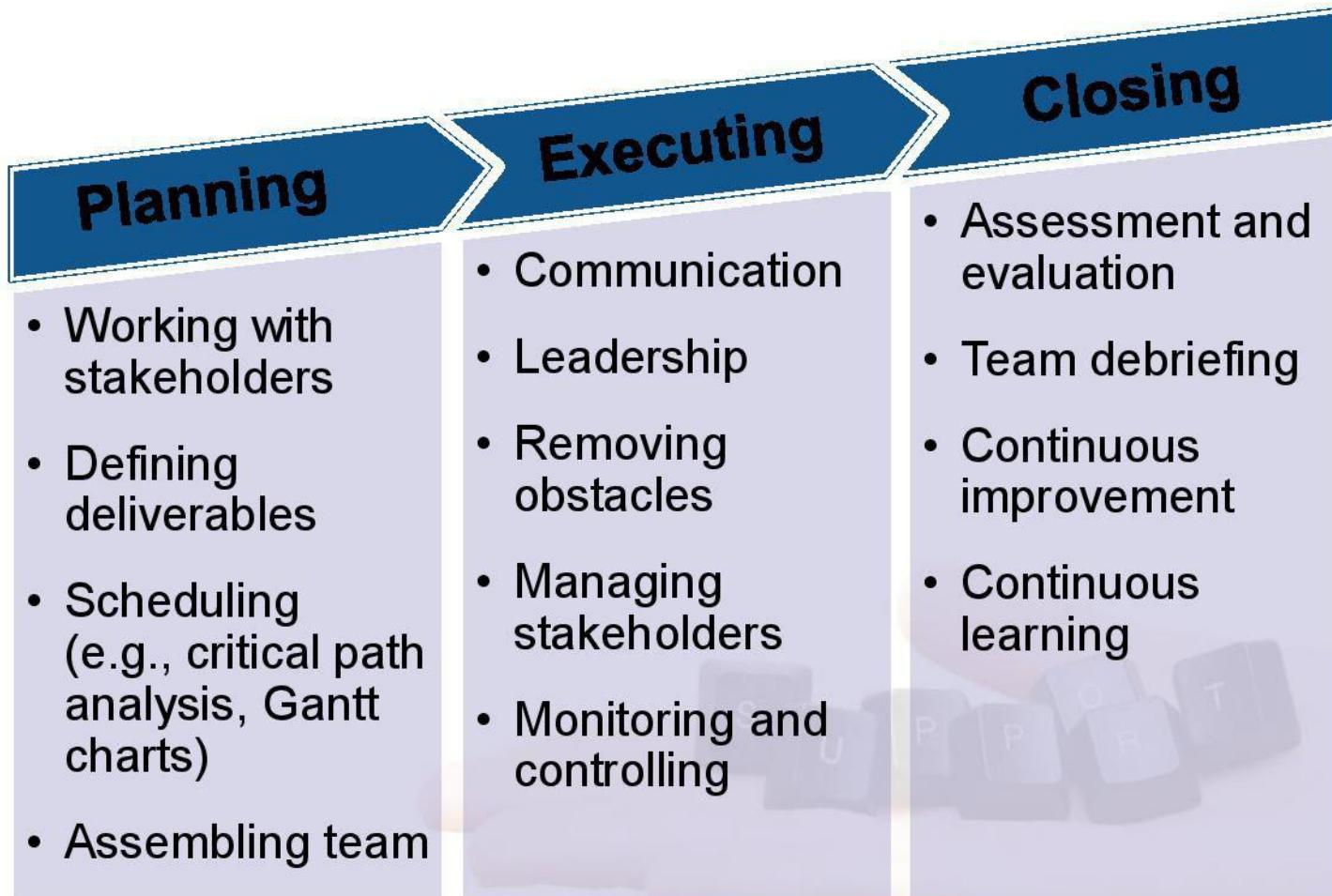
Simple or complex deliverables

Large or small budgets

Projects can vary in complexity. Some require dedicated project managers.



Project Stages



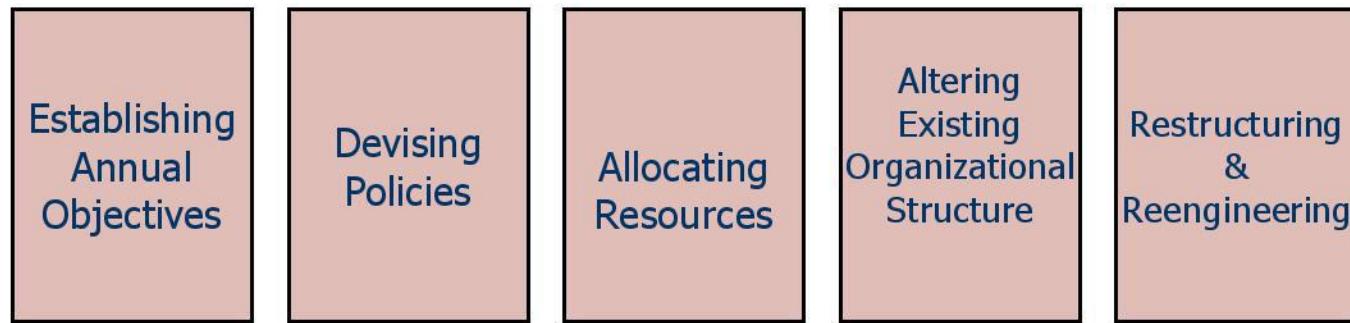
Management Issues

Successful strategy formulation
does NOT guarantee
successful strategy implementation!

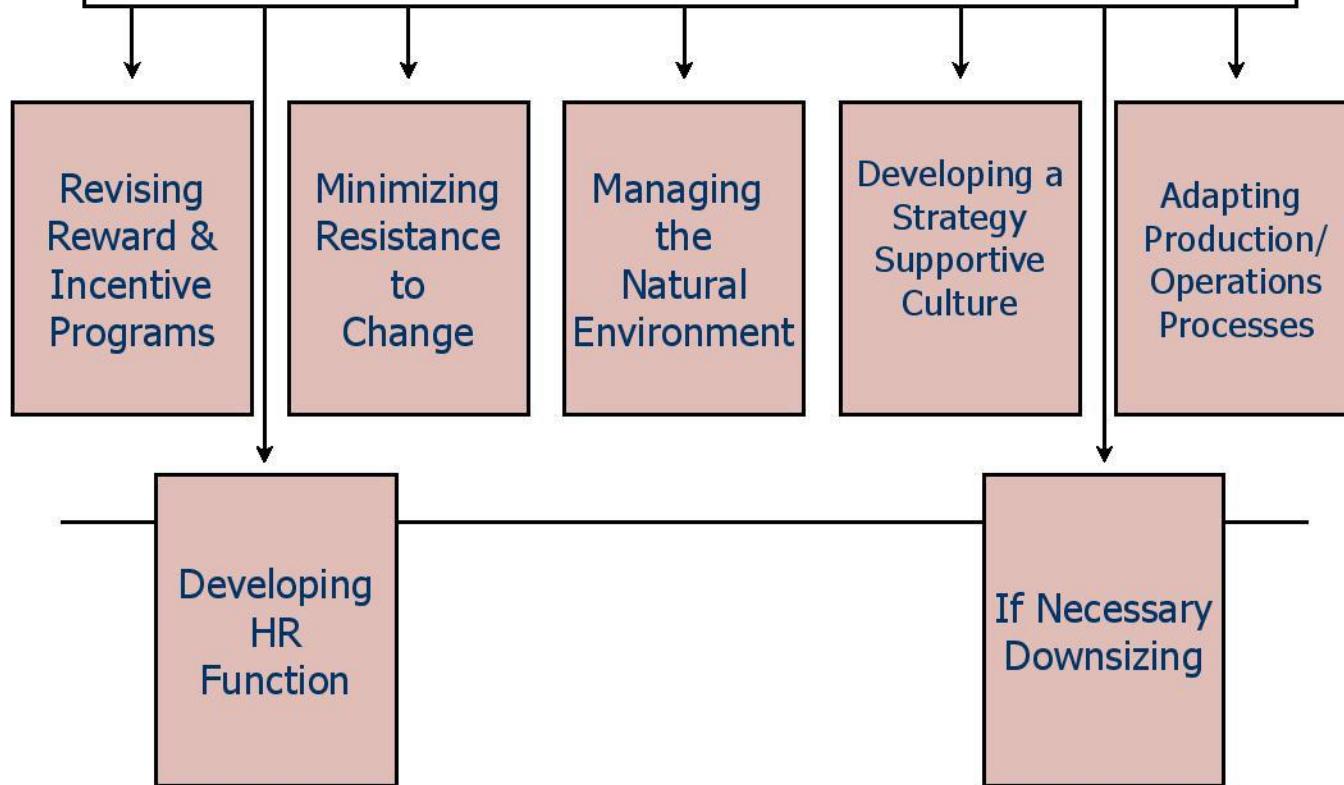
Management Issues

<u>Strategy Formulation</u>	<u>Strategy Implementation</u>
Positioning forces before the action	Managing forces during the action
Focuses on effectiveness	Focuses on efficiency
Primarily an intellectual process	Primarily an operational process
Requires good intuitive and analytical skills	Requires motivation and leadership skills
Requires coordination among a few individuals	Requires coordination among many persons

Management Issues & Strategy Implementation



Management Issues & Strategy Implementation



Management Issues & Strategy Implementation

Establishing Annual Objectives

- • Basis for allocating resources
- • Mechanism for evaluating managers
- • Monitor progress toward long-term objectives
- • Establish organizational, divisional, and departmental priorities

Management Issues & Strategy Implementation

Devising Policies

- • Basis for solving recurring problems
- • Sets boundaries, constraints, and limits on administrative actions
- • Sets expectations for managers and employees
- • Basis for management control and coordination

Management Issues & Strategy Implementation

Allocating Resources

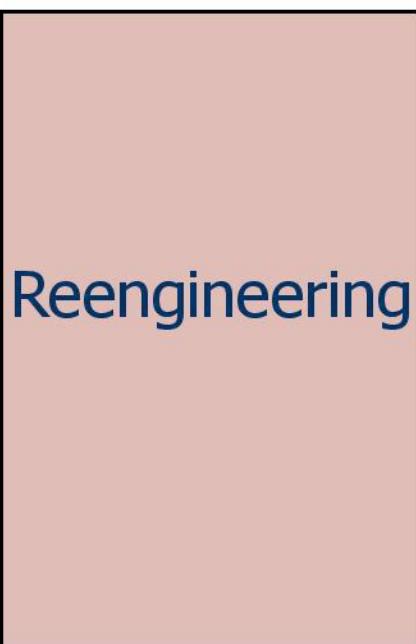
- • Allows for strategy execution
- • Sets allocation plan based on annual objectives
- • Allocation based on four types of resources: financial, physical, human, and technological

Management Issues & Strategy Implementation

Altering
Existing
Organizational
Structure

- • Function
- • Divisional
- • SBU Structure (**Strategic Business Unit**)
- • Matrix Structure

Management Issues & Strategy Implementation



- • Employee/customer well-being
 - Redesign work
 - Redesign jobs
 - Redesign processes
- • Improvement in:
 - Costs
 - Quality
 - Service
 - Speed

Management Issues & Strategy Implementation

Revising Reward & Incentive Programs

- • Pay-for-performance plans
- • Flexibility in compensation systems is necessary
- • Dual bonus system
 - Annual objectives
 - Long-term objectives
- • Profit Sharing

Management Issues & Strategy Implementation

Managing Resistance To Change

- • Raises anxiety/fear
- • Force change strategy
- • Educative change strategy
- • Rational or self-interest change strategy
 - Most desirable

Management Issues & Strategy Implementation

Production/ Operations Concerns

- • Production processes typically constitute more than 70% of firm's total assets
- • Decisions on:
 - Plant size
 - Inventory/inventory control
 - Quality control
 - Cost control
 - Technological innovation

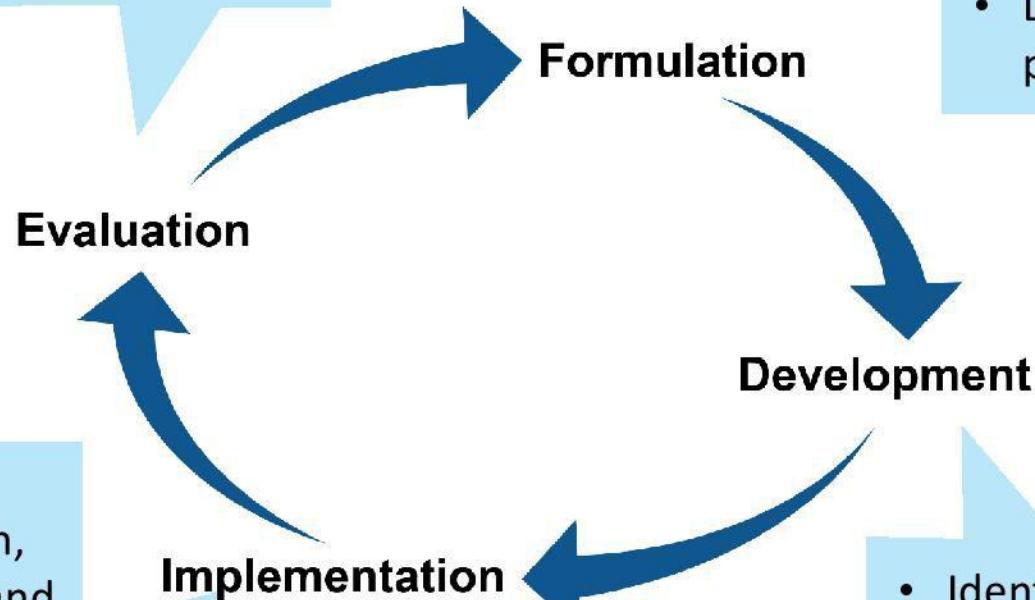
**Completed
Chapter 7 & 8**

CHAPTER 9

Strategy Review, Evaluation, and Control

Third session will discuss Chapter 9
(Approximately 1/2 hour session)

- Evaluate results continually and at designated intervals.



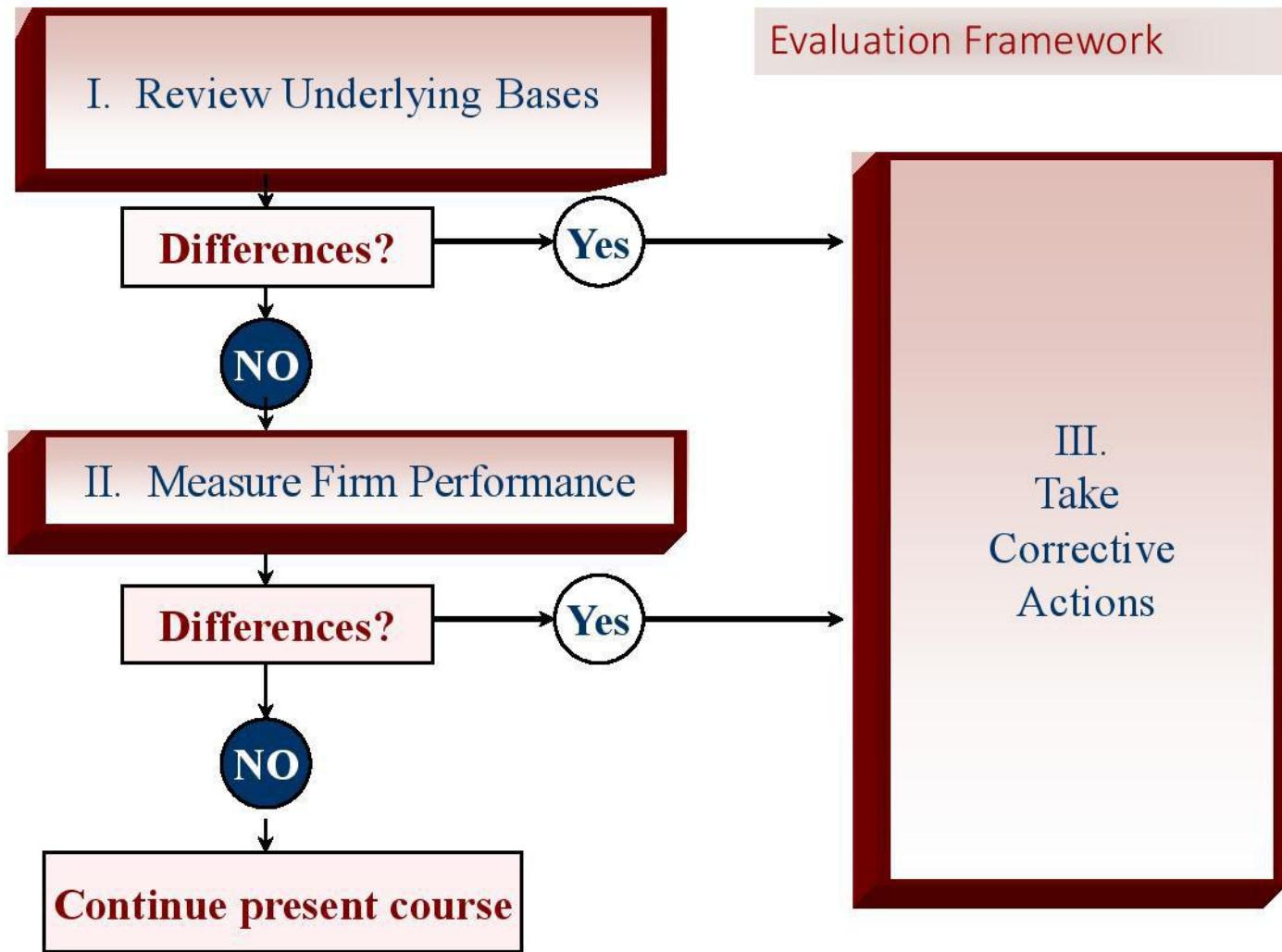
- Provide clear communication, coordination, and support.
- Control resources.

- Gather and analyze information.
- Determine current position.

Strategy Review

Strategy Evaluation—the 3 Basics

- Examining the underlying basis of the firm's strategy
- Comparing actual to expected results
- Taking corrective action to address performance gaps



I. Review Bases of Strategy

- Develop a Revised EFE Matrix:
 - *How have competitors reacted to our strategies?*
 - *How have competitors' strategies changed?*
 - *Have major competitors' strengths and weaknesses changed?*

I. Review Bases of Strategy

Key Questions in Evaluating Strategy:

- *Are our internal strengths still strengths?*
- *Have we added other internal strengths?*
- *Are our internal weaknesses still weaknesses?*

I. Review Bases of Strategy

- *Do we now have other internal weaknesses?*
- *Are our external opportunities still opportunities?*
- *Are there now external opportunities?*

I. Review Bases of Strategy

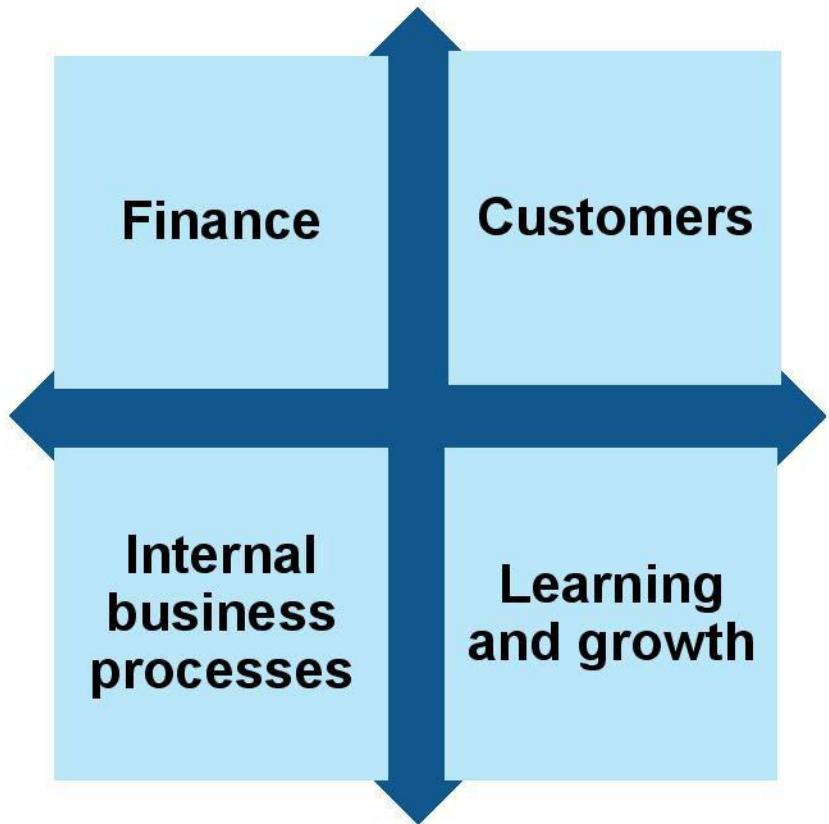
- *Are our external threats still threats?*
- *Are there now other external threats?*
- *Are we vulnerable to a hostile takeover?*

II. Measure Performance

- Compare the firm's performance over different time periods.
- Compare the firm's performance to competitors.
- Compare the firm's performance to industry averages.

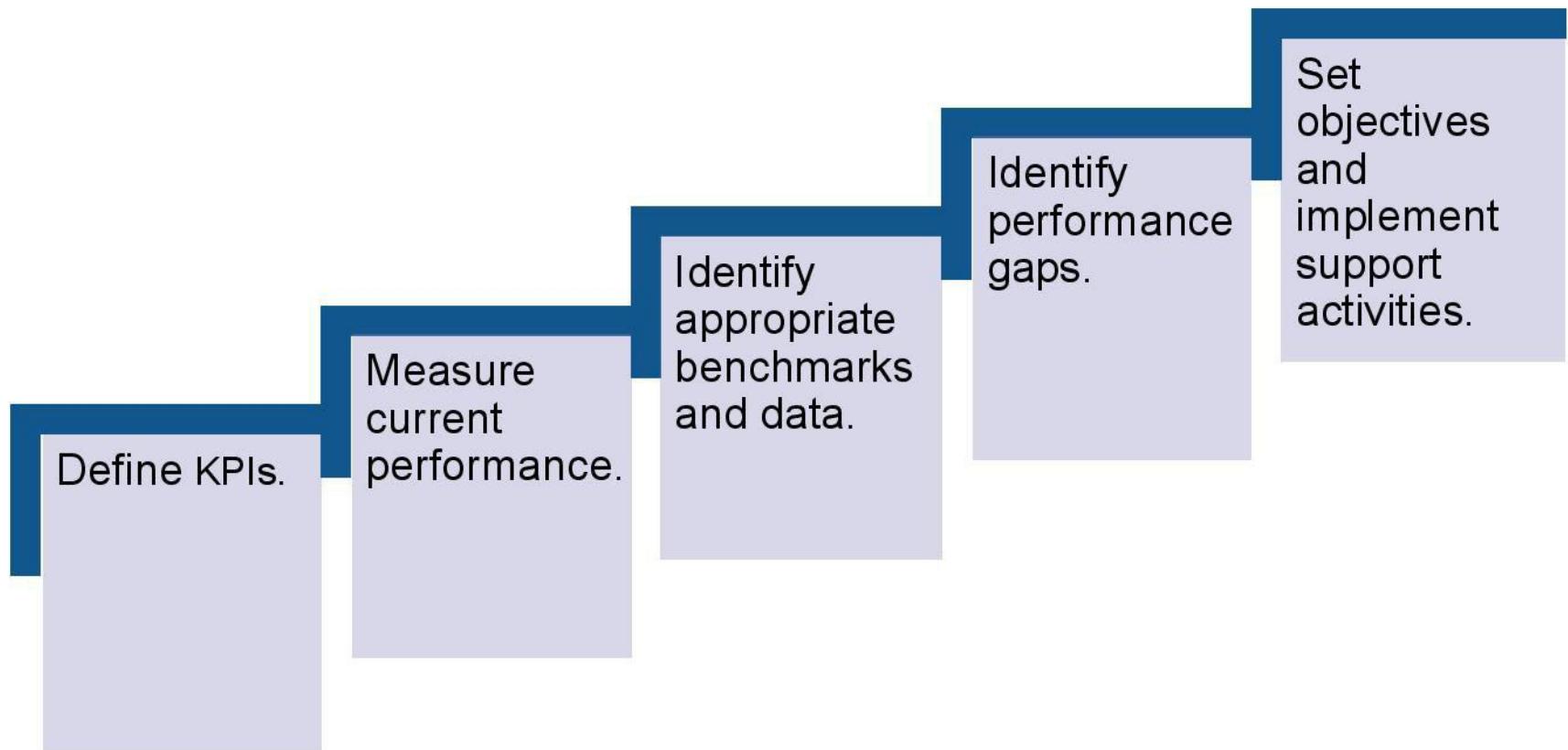
Using Balanced Scorecards

Provide a more strategy-focused, balanced, multi-perspective assessment of performance



*Original balanced scorecard developed by
Robert Kaplan and David Norton*

Benchmarking Process



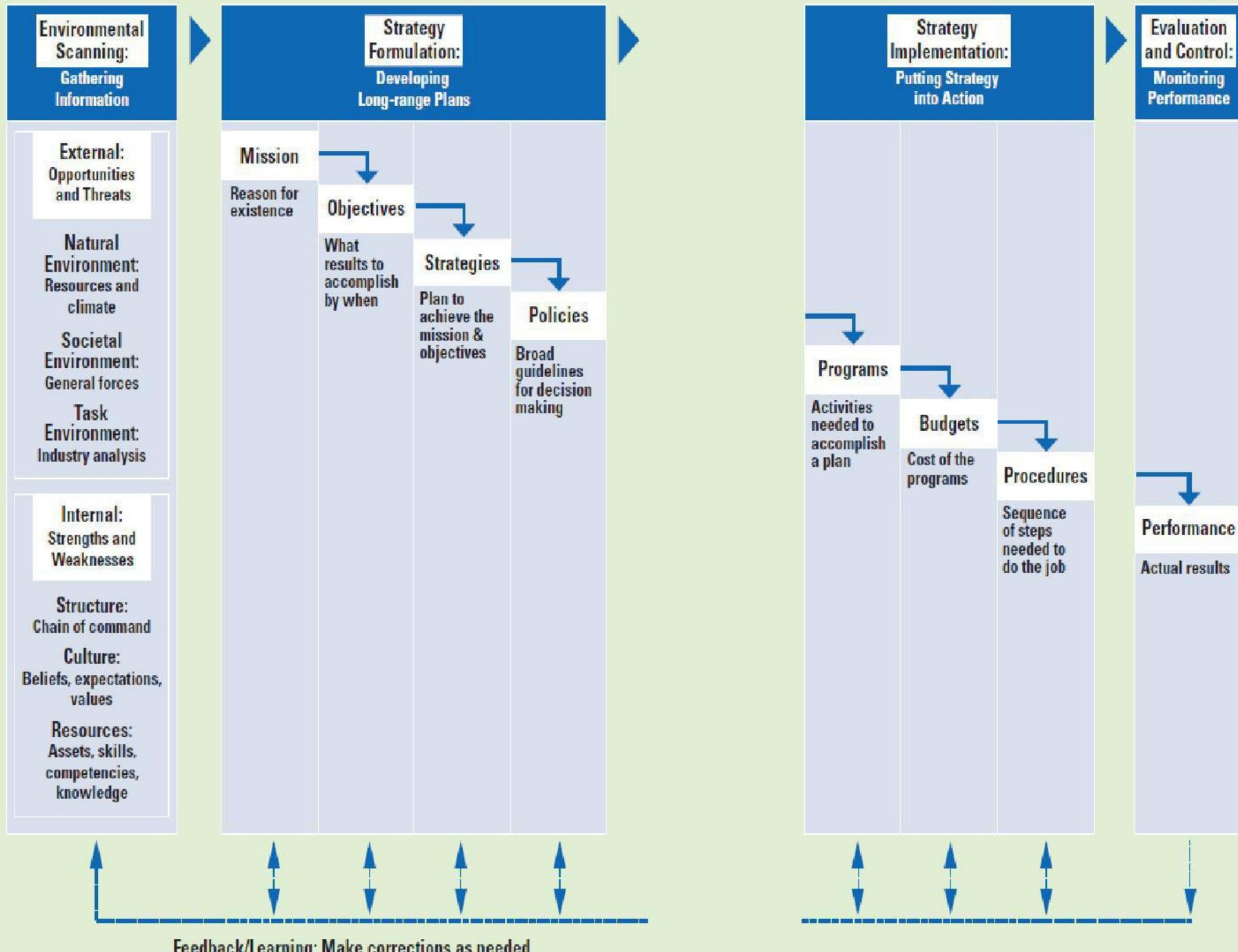
Strategy-Evaluation Assessment Matrix

Have major changes occurred in the firm's internal strategic position?	Have major changes occurred in the firm's external strategic position?	Has the firm progressed satisfactorily toward achieving its stated objectives?	Result
No	No	No	Corrective actions
Yes	Yes	Yes	Corrective actions
Yes	Yes	No	Corrective actions
Yes	No	Yes	Corrective actions
Yes	No	No	Corrective actions
No	Yes	Yes	Corrective actions
No	Yes	No	Corrective actions
No	No	Yes	Continue course

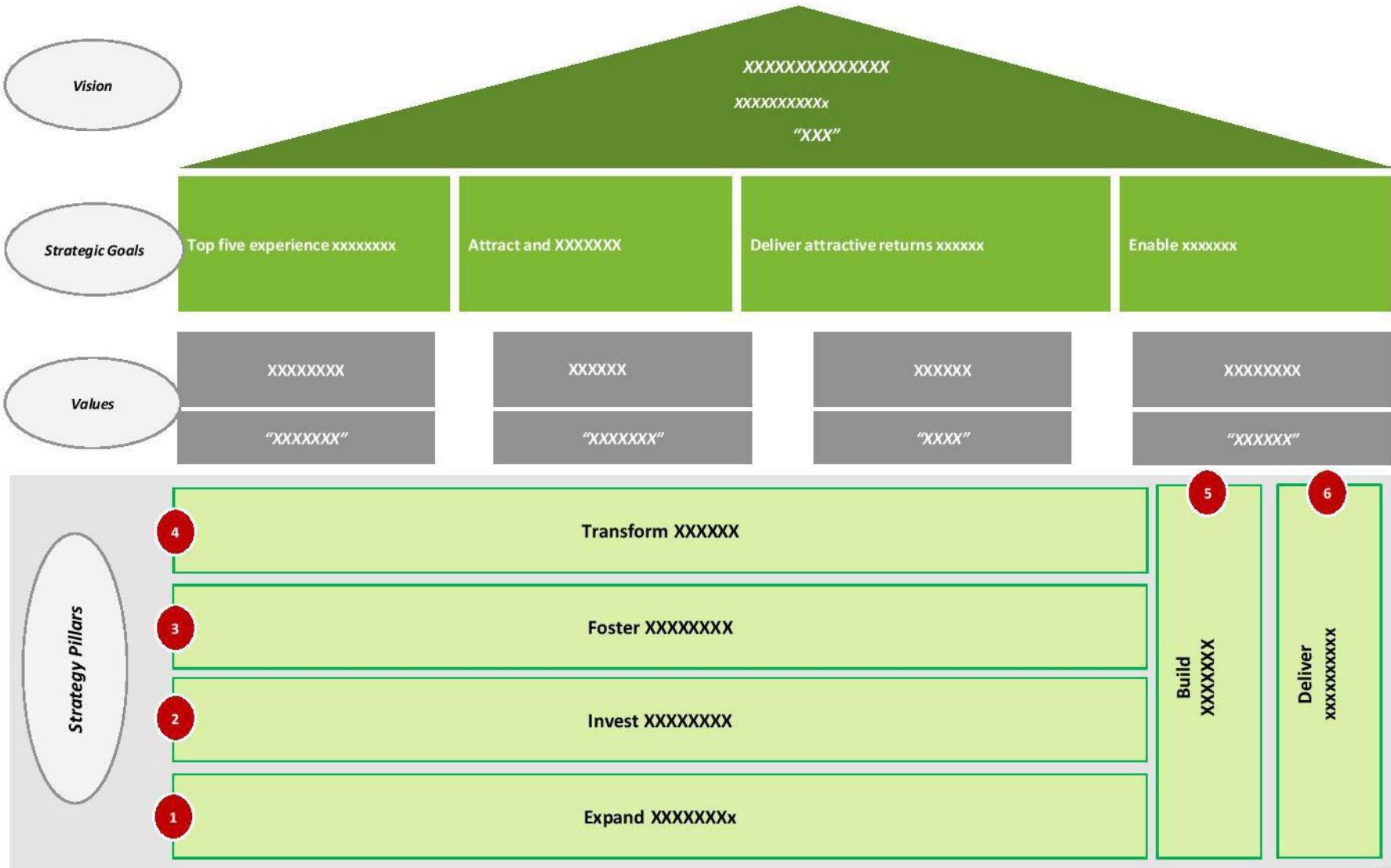
**Completed
Chapter 9**

Final Wrap-Up & Assignment Discussion

Assignment Discussion
(Approximately 1/2 hour session)



Company XXX Strategy House 2020-2022



Pillar	2020 Programs	2021 Programs	2022 Programs
XXXX	XXXXX	XXXXXX	XXXXX
XXXXX	XXXXX	XXXXX	XXXXXX
XXXX	XXXXX	XXXXX	XXXXX
XXXXX	XXXX	XXXXX	XXXXXX
XXXXX	XXXX	XXXXX	XXXXX
XXXXX	XXXXX	XXXXXX	XXXXX
XXXXX	XXXXX	XXXXXX	XXXXXX

Project Charter Template

Owner	XXXXX	Detailed Activities of the Initiative								
Objectives	XXXXXXX	▪ XXXXXXXX.								
Budget	▪ XXXXXXXX	▪ XXXXXXXX								
Impact	▪ XXXXXX	▪ XXXXXXXX								
Program Owner		XXXXX	Initiative Owner	▪XXXXX	Strategy SPOC	XXXXXX	CPMO SPOC	XXXXXX	BP SPOC	XXXXX

Detailed Project Plan – Key Milestones with Activities										
Activities/Tasks	Q2			Q3			Q4			Timelines
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
xxxxxx										
xxxxxxxx										
xxxxxxxx										
xxxxxxxxx										

Program Owner: XXXXXX Initiative Owner: ■XXXXXX

**THANK YOU
&
STAY SAFE**