Chapter 1

strategic management

-analysis (strategic goals such as mission, and internal & external environment of industry)

-decision (what industry and how to compete in industry)

-actions (allocate resources and design organization)

competitive advantage

-firm capabilities to overcome other competitors in industry

sustainable competitive advantage cannot be achieved through operational effectiveness (doing similar activities better than rivals)

4 keys of strategic management

1) directed towards overall organizational goals and objective, not just singular area

2) includes multiple stakeholders in decision making

3) requires both short-term and long-term perspective

4) recognize trade-offs between efficiency (doing thing right), effectiveness (doing right things)

ambidexterity

-challenges faced by manager to align resources to take advantage on existing products and exploring new opportunities.

intended versus realized strategies

- intended is a planned strategy by analysis

- realized is a plan determined by both analysis and unforeseen environmental development

strategy analysis

- study of firm’s environments along with organizational vision

strategy formulation

strategy implementation

corporate governance

- shareholders (owners)

- management (led by CEO)

- board of director (owner’s representative for their interest in the company)

stakeholder management

- zero sum (one’s gain is other’s loss)

- symbiosis (more party wins in one decision)

social responsibility

- expectation for business to strive to improve society welfare.

triple bottom line

1) financial

2) social

3) environmental

three type of leaders

1) local line leaders (profit & loss responsibility)

2) executive leader (guide idea & create learning infrastructure)

3) internal networkers (with less power, generate their power through great idea)

hierarchy of goals

1) vision

2) mission

3) objectives

vision will fail if:

- employee behavior is not consistent with the vision

- irrelevance which the vision is not anchored in reality

- vision is not a magic cure for organization’s illness

- too much focus on the vision leads to missed opportunities

- vision should be clear, not just vague

for objectives to be meaningful:

- measurable

- specific

- appropriate

- realistic

- time frame

Chap 2

Environmental scanning

-surveillance of a firm’s external environment to predict environmental changes

Environmental monitoring

-a firm’s analysis of the external environment that tracks the evolution of environmental trends

Hard trend

-a projection based on measurable facts, something that will happen

Soft trend

-something that might happen which the probability can be estimated

Competitive intelligence

-a firm’s activities of collecting and interpreting data on competitors

Environmental forecasting

-the development of plausible projections about the direction, scope and intensity of environmental change

Scenario analysis

-an in-depth approach to environmental forecasting

SWOT analysis

-a framework for analyzing a company’s internal and external environment and that stands for strengths, weakness, opportunity and threats

General environment

-factors external to an industry and usually beyond a firm’s control, that affect a firm’s strategy

Demographic segment of the general environment

-genetic and observable characteristics of a population

Sociocultural segment of the general environment

-the values, beliefs and lifestyles of a society

Political/legal segment of the general environment

-how a society creates and exercise power, including rules, laws and taxation policies

Technological segment of the general environment

-innovation and state of knowledge in industrial arts, engineering, applied sciences and pure science and their interaction with society

Economic segment of the general environment

-characteristics of the economy, including national income and monetary conditions

Global segment of the general environment

-influences from foreign countries, including foreign market opportunities, foreign-based competition, and expanded capital markets.

Crowdsourcing

-practice wherein the internet is used to tap a broad range of individuals and groups to generate ideas and solve problems

Competitive environment

-factors that pertain to an industry and affect a firm’s strategies

Threat of new entrances

-the possibility that the profits of established firms in the industry may be eroded by new competitors

Economies of scale

-decreases in cost per unit as absolute output per period increases

Product differentiation

-the degree that a product has strong brand loyalty or customer loyalty

Switching cost

-one-time costs that a buyer/supplier faces when switching from one supplier/buyer to another

Bargaining power of buyers

-the threat that buyers may force down prices, bargain for higher quality or more services, and play competitors against each other

Bargaining power of suppliers

-the threat that suppliers may raise prices or reduce the quality of purchased goods and services

Threat of substitute products and services

-the threat of limiting the potential returns of an industry by placing a ceiling on the prices that firms in that industry can profitably charge without losing too many customers to substitute products

Substitute products and service

-product and services outside the industry that serve the same customer needs as the industry’s products and services

Intensity of rivalry among competitors in an industry

-the threat that customers will switch their business to competitors within the industry

Zero-sum game

-a situation in which multiple players interact, and winners win only by taking from other players

Complements

-product or services that have an impact on the value of a firm’s products or services

Strategic groups

-cluster of firms that share similar strategies

Five forces models of competition

1. The threat of new entrant
2. The bargaining power of buyers
3. The bargaining power of suppliers
4. The threat of substitute products and services
5. The intensity of rivalry among competitors in an industry