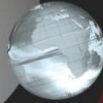


GLOBAL  
EDITION



# Management

THIRTEENTH EDITION

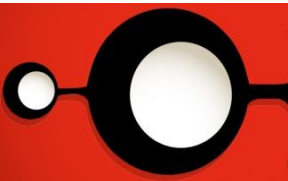
Stephen P. Robbins • Mary Coulter

## MANAGING STRATEGY

9

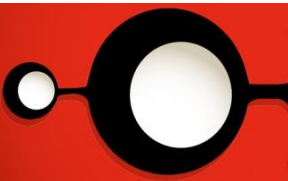
# LEARNING OBJECTIVES

1. **Define** strategic management and explain why it's important.
2. **Explain** what managers do during the six steps of the strategic management process.
  - Know how to identify your own personal strengths and weaknesses and deal with them.
  - Develop your skill at strategic planning.
3. **Describe** the three types of corporate strategies.
4. **Describe** competitive advantage and the competitive strategies organizations use to get it.
5. **Discuss** current strategic management issues.



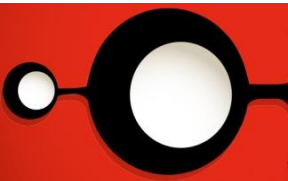
# WHAT IS STRATEGIC MANAGEMENT?

- ▶ **Strategic management** – what managers do to develop the organization's strategies.
  - ▶ **Strategies** – the plans for how the organization will do what it's in business to do, how it will compete successfully, and how it will attract and satisfy its customers in order to achieve its goals.
  - ▶ **Business model** – how a company is going to make money.



# WHY IS STRATEGIC MANAGEMENT IMPORTANT?

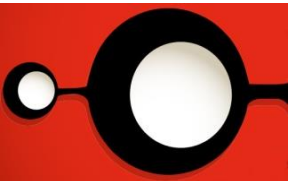
- ▶ It results in **higher organizational performance**.
- ▶ It requires that managers **examine and adapt to business environment changes**.
- ▶ It **coordinates diverse organizational units**, helping them focus on organizational goals.



# THE STRATEGIC MANAGEMENT PROCESS

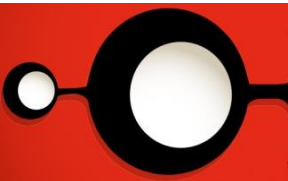
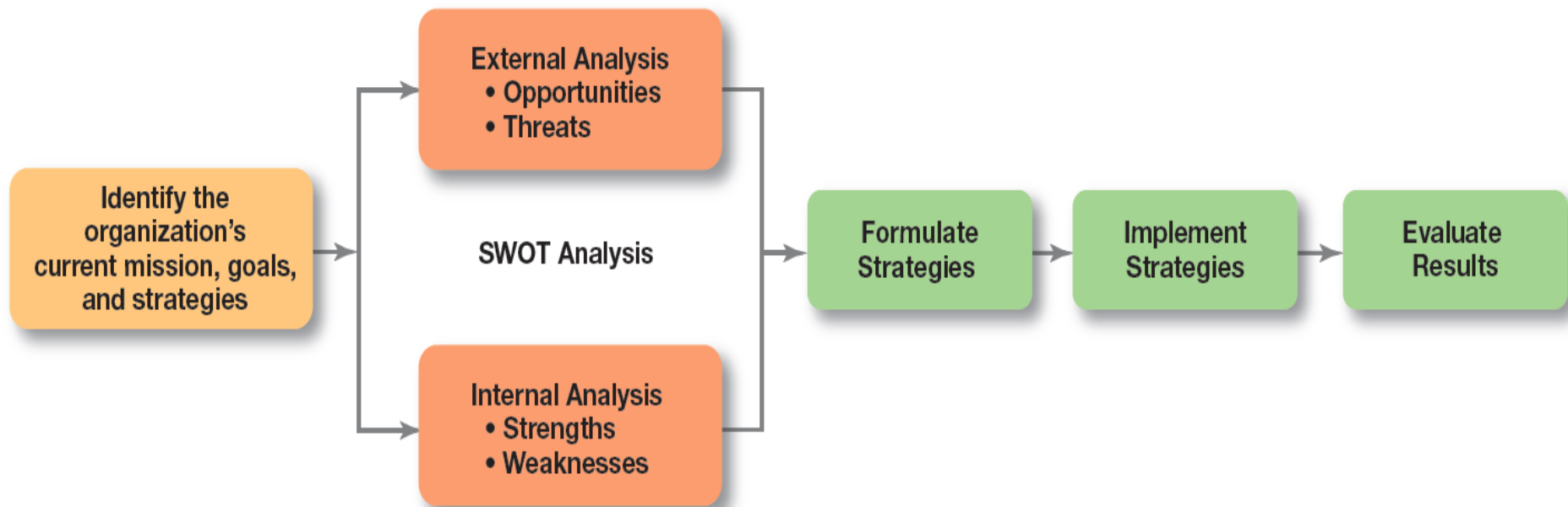
## ▶ **Strategic management process**

- ▶ a **six-step** process that encompasses strategic planning, implementation, and evaluation.



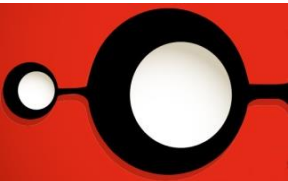
# EXHIBIT 9-1

## STRATEGIC MANAGEMENT PROCESS



# THE STRATEGIC MANAGEMENT PROCESS (CONT.)

- ▶ **Step I:** Identifying the organization's current mission, goals, and strategies:
  - ▶ **Mission:** a statement of the purpose of an organization.
    - The scope of its products and services
  - ▶ **Goals:** the foundation for further planning.
    - Measurable performance targets



# EXHIBIT 9-2:

## COMPONENTS OF A MISSION STATEMENT

### ***Customers:***

Who are the firm's customers?

### ***Markets:***

Where does the firm compete geographically?

### ***Concern for survival, growth, and profitability:***

Is the firm committed to growth and financial stability?

### ***Philosophy:***

What are the firm's basic beliefs, values, and ethical priorities?

### ***Concern for public image:***

How responsive is the firm to societal and environmental concerns?

### ***Products or services:***

What are the firm's major products or services?

### ***Technology:***

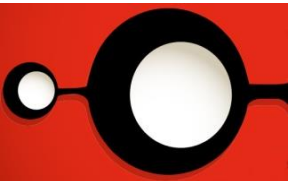
Is the firm technologically current?

### ***Self-concept:***

What are the firm's major competitive advantage and core competencies?

### ***Concern for employees:***

Are employees a valuable asset of the firm?

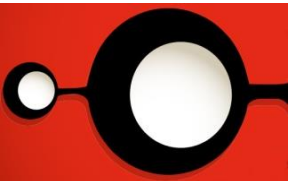




# THE STRATEGIC MANAGEMENT PROCESS (CONT.)

## ▶ Step 2 : Doing an external analysis

- ▶ The **environmental scanning** of specific and general environments.
  - Focuses on **identifying opportunities and threats**



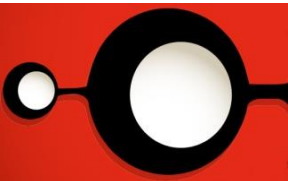
# THE STRATEGIC MANAGEMENT PROCESS (CONT.)

## ▶ Step 3: Doing an internal analysis

▶ Assessing organizational resources, capabilities, and activities:

- **Strengths** create value for the customer and strengthen the competitive position of the firm.
- **Weaknesses** can place the firm at a competitive disadvantage.

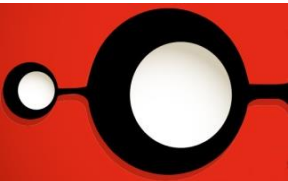
**Steps 2 and 3 combined are called a SWOT analysis.  
(Strengths, Weaknesses, Opportunities, and Threats)**



# SWOT ANALYSIS

## ► **SWOT analysis**

- an analysis of the organization's strengths, weaknesses, opportunities, and threats.
- **Resources** – an organization's assets that are used to develop, manufacture, and deliver a product to its customers.
- **Capabilities** – an organization's skills and abilities in doing the work activities needed in its business.



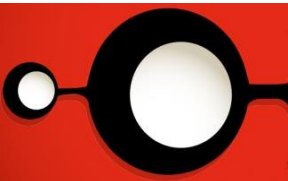
# STRENGTHS AND WEAKNESSES

## ▶ Strengths

- ▶ any activities the organization **does well** or any unique resources that it has.
  - ▶ **Core competencies** - the organization's major value-creating capabilities that determine its competitive weapons.

## ▶ Weaknesses

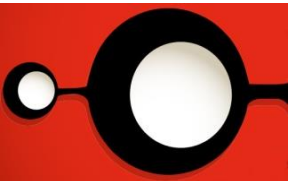
- ▶ **activities the organization does not execute well** or needed resources it does not possess.



# THE STRATEGIC MANAGEMENT PROCESS (CONT.)

## ▶ **Step 4 : Formulating strategies**

- ▶ Develop and evaluate strategic alternatives.
- ▶ Select appropriate strategies for all levels in the organization that provide relative advantage over competitors.
- ▶ Match organizational strengths to environmental opportunities.
- ▶ Correct weaknesses and guard against threats.



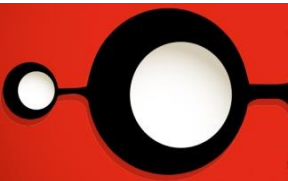
# THE STRATEGIC MANAGEMENT PROCESS (CONT.)

## ▶ Step 5: Implementing strategies

- ▶ **Implementation** – effectively fitting organizational structure and activities to the environment.
- ▶ The environment dictates the chosen strategy; effective strategy implementation requires an organizational structure matched to its requirements.

## ▶ Step 6: Evaluating results

- ▶ How effective have strategies been?
- ▶ What adjustments, if any, are necessary?



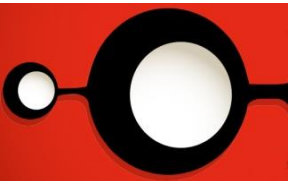
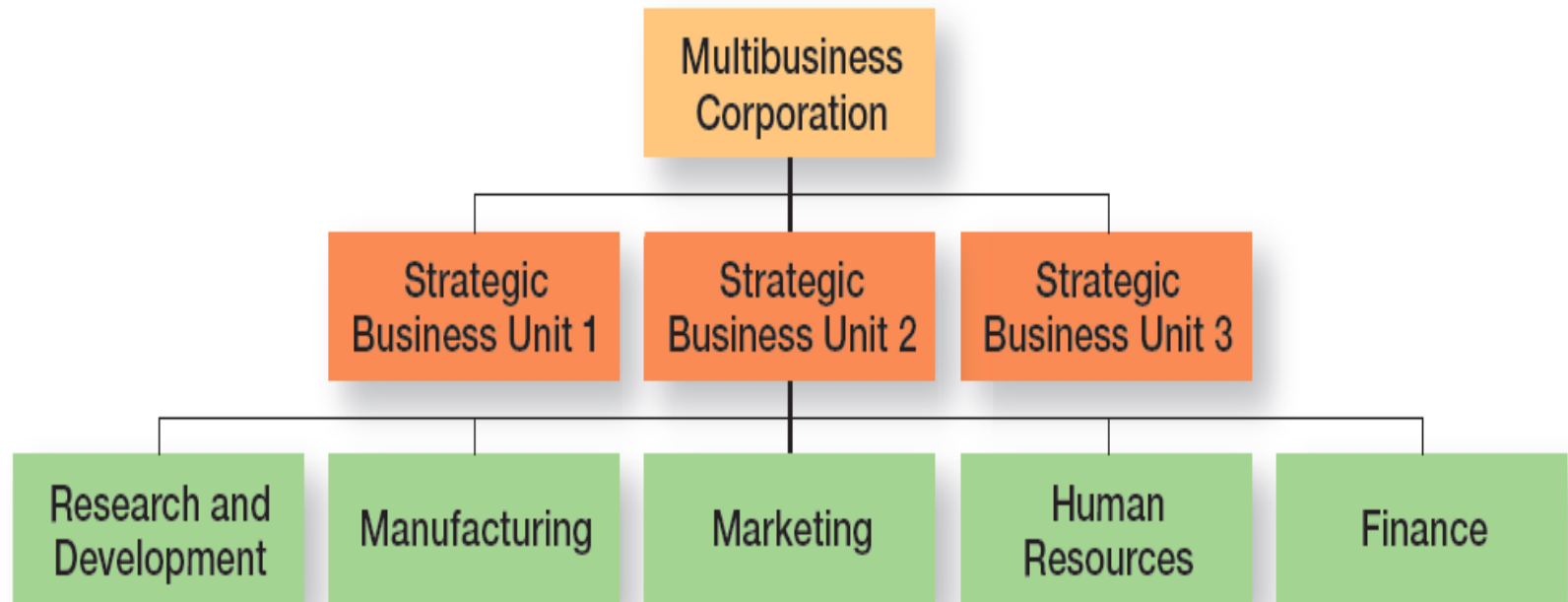
# EXHIBIT 9-3

## TYPES OF ORGANIZATIONAL STRATEGIES

Corporate

Competitive

Functional



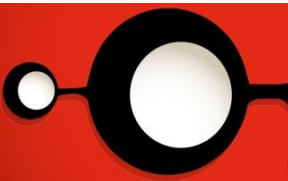
# WHAT IS CORPORATE STRATEGY?

## ▶ **Corporate strategy**

- ▶ an organizational strategy that determines what businesses a company is in or wants to be in, and what it wants to do with those businesses.

## ▶ **Types of Corporate strategy**

- ▶ **Growth**: expansion into new products and markets.
- ▶ **Stability**: maintenance of the status quo.
- ▶ **Renewal**: examination of organizational weaknesses that are leading to performance declines.

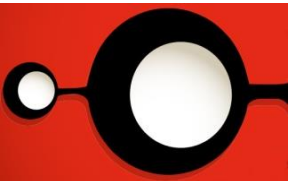
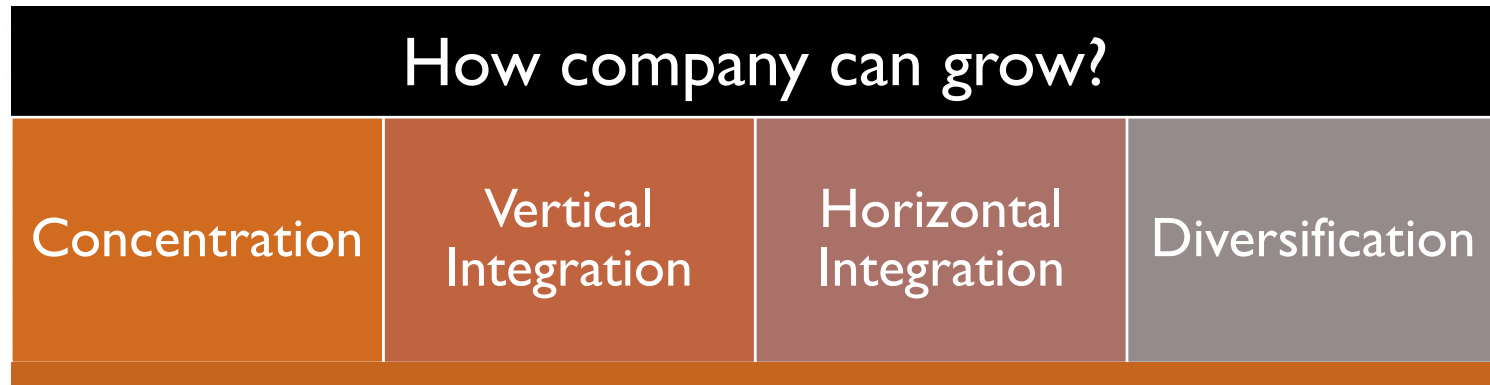




# GROWTH STRATEGIES

## ► Growth Strategy

- a corporate strategy that's used when an organization wants to expand the number of markets served or products offered, through either its current business(es) or new business(es).



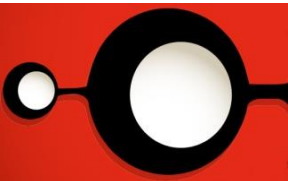
# TYPES OF GROWTH STRATEGIES

## ▶ **Concentration**

- ▶ focuses on its primary line of business and increases the number of products offered or markets served in this primary business.

## ▶ **Vertical integration**

- ▶ **Backward vertical integration** – the organization becomes its own supplier.
- ▶ **Forward vertical integration** – the organization becomes its own distributor.



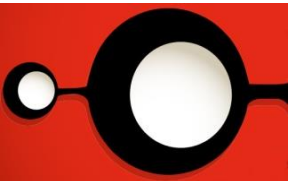
# TYPES OF GROWTH STRATEGIES (CONT.)

## ▶ **Horizontal integration**

- ▶ a company grows by combining with competitors.

## ▶ **Diversification**

- ▶ **Related diversification** – when a company combines with other companies in different, but related industries.
- ▶ **Unrelated diversification** – when a company combines with firms in different and unrelated industries.



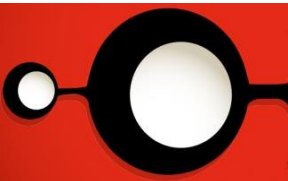
# CORPORATE STRATEGIES (CONT.)

## ▶ **Stability Strategy**

- ▶ a corporate strategy in which an organization continues to do what it is currently doing.

## ▶ **Renewal Strategy**

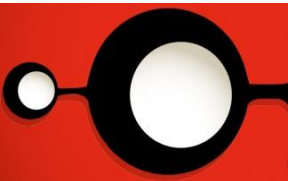
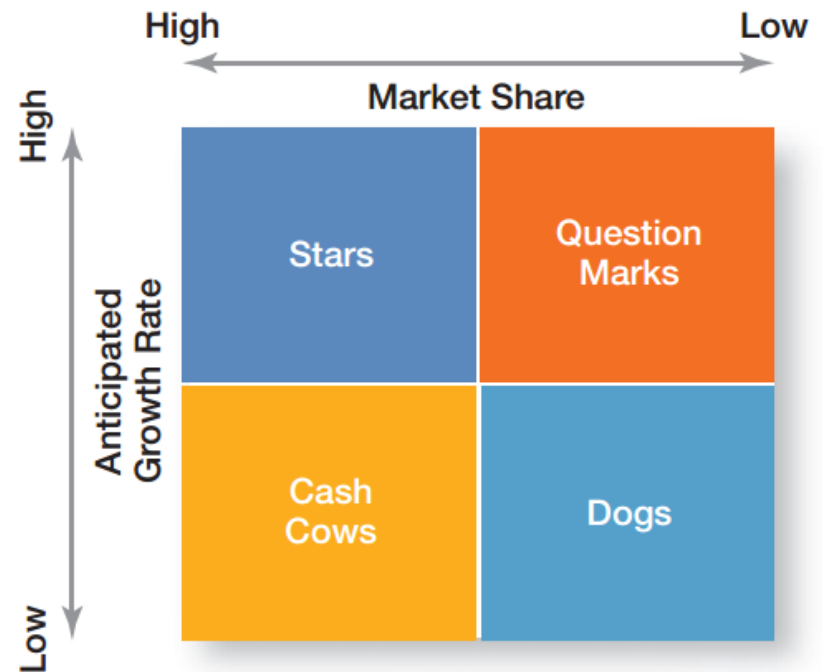
- ▶ a corporate strategy designed to address declining performance.
  - ▶ **Retrenchment strategy** – a short-run renewal strategy used for minor performance problems.
  - ▶ **Turnaround strategy** – when an organization's problems are more serious, more drastic action is needed.



# HOW ARE CORPORATE STRATEGIES MANAGED?

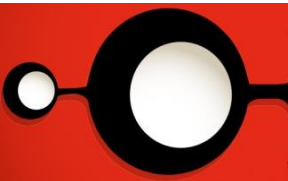
## ► BCG matrix

- a strategy tool that guides resource allocation decisions on the basis of market share and growth rate of SBUs.



# THE IMPLICATIONS OF BCG MATRIX

- ▶ The **dogs** should be sold off or liquidated as they have low market share in markets with low growth potential.
- ▶ Managers should “milk” **cash cows** for as much as they can, limit any new investment in them, and use the large amounts of cash generated to invest in stars and question marks with strong potential to improve market share.
- ▶ Heavy investment in **stars** will help take advantage of the market’s growth and help maintain high market share. The stars, of course, will eventually develop into cash cows as their markets mature and sales growth slows.
- ▶ The hardest decision for managers relates to the **question marks**. After careful analysis, some will be sold off and others strategically nurtured into stars.



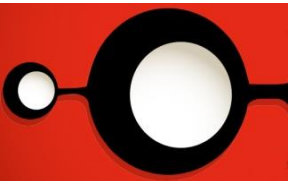
# COMPETITIVE STRATEGIES

## ▶ **Competitive strategy**

- ▶ an organizational strategy for how an organization will compete in its business(es).

## ▶ **Competitive advantage**

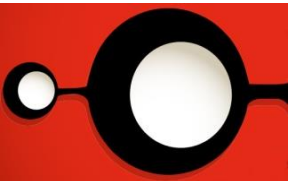
- ▶ what sets an organization apart; its distinctive edge.
  - Quality as a Competitive Advantage
  - Design Thinking as a Competitive Advantage
  - Sustaining Competitive Advantage



# FIVE FORCES MODEL

**Five forces determine industry attractiveness and profitability:**

- 1. Threat of new entrants**  
How likely is it that new competitors will come into the industry?
- 2. Threat of substitutes**  
How likely is it that other industries' products can be substituted for our industry's products?
- 3. Bargaining power of buyers**  
How much bargaining power do buyers (customers) have?
- 4. Bargaining power of suppliers**  
How much bargaining power do suppliers have?
- 5. Current rivalry**  
How intense is the rivalry among current industry competitors?





# CHOOSING A COMPETITIVE STRATEGY

## **Cost leadership strategy**

- when an organization competes on the basis of having the lowest costs (costs or expenses, not prices) in its industry.

## **Differentiation strategy**

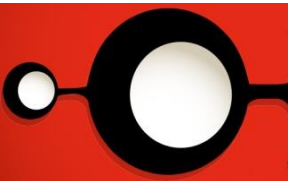
- a company that competes by offering unique products that are widely valued by customers.

## ***Focus strategy***

- involves a cost advantage (cost focus) or a differentiation advantage (differentiation focus) in a narrow segment or niche.

## ***Stuck in the middle***

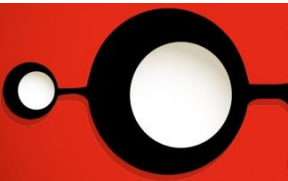
- when costs are too high to compete with the low-cost leader or when its products and services aren't differentiated enough to compete with the differentiator.



# FUNCTIONAL STRATEGY

## ► **Functional Strategy**

- the strategies used by an organization's various functional departments to support the competitive strategy



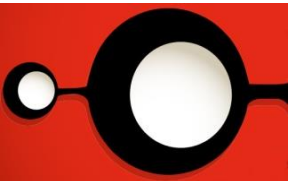
# CURRENT STRATEGIC MANAGEMENT ISSUES

## ▶ **Three current strategic management issue:**

The need for strategic leadership

The need for strategic flexibility

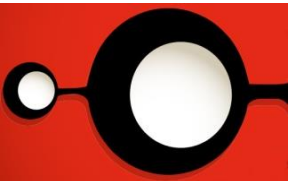
How managers design strategies to emphasize e-business, customer service and innovation



# CURRENT STRATEGIC MANAGEMENT ISSUES

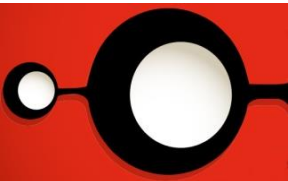
## ► **Strategic leadership**

- the ability to anticipate, envision, maintain flexibility, think strategically, and work with others in the organization to initiate changes that will create a viable and valuable future for the organization.



# EXHIBIT 9-4

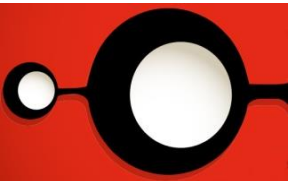
## EFFECTIVE STRATEGIC LEADERSHIP



# CURRENT STRATEGIC MANAGEMENT ISSUES (CONT.)

## ► **Strategic flexibility**

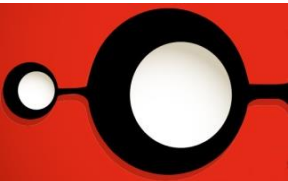
- the ability to recognize major external changes, to quickly commit resources, and to recognize when a strategic decision was a mistake.



# EXHIBIT 9-5

## DEVELOPING STRATEGIC FLEXIBILITY

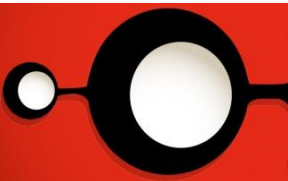
- *Encourage leadership unity* by making sure everyone is on the same page.
- *Keep resources fluid* and move them as circumstances warrant.
- *Have the right mindset* to explore and understand issues and challenges.
- Know what's happening with strategies currently being used by *monitoring and measuring results*.
- Encourage employees to *be open about disclosing and sharing negative information*.
- *Get new ideas and perspectives from outside* the organization.
- Have *multiple alternatives* when making strategic decisions.
- *Learn from mistakes*.



# IMPORTANT ORGANIZATIONAL STRATEGIES FOR TODAY'S ENVIRONMENT

## ▶ **e-Business strategies**

- ▶ **Cost Leadership** – online activities: bidding, order processing, inventory control, recruitment and hiring.
- ▶ **Differentiation** – Internet-based knowledge systems, online ordering and customer support.
- ▶ **Focus** – chat rooms and discussion boards, targeted Web sites.





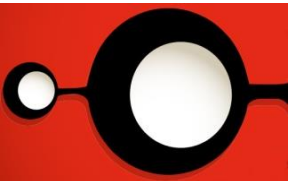
# IMPORTANT ORGANIZATIONAL STRATEGIES FOR TODAY'S ENVIRONMENT (CONT.)

## ▶ **Customer Service Strategies**

- ▶ companies emphasizing excellent customer service need strategies that cultivate that atmosphere from top to bottom.

## ▶ **Innovation Strategies**

- ▶ **First Mover** – an organization that brings a product innovation to the market or uses new process innovations.



# EXHIBIT 9-6

## FIRST-MOVER ADVANTAGES AND DISADVANTAGES

