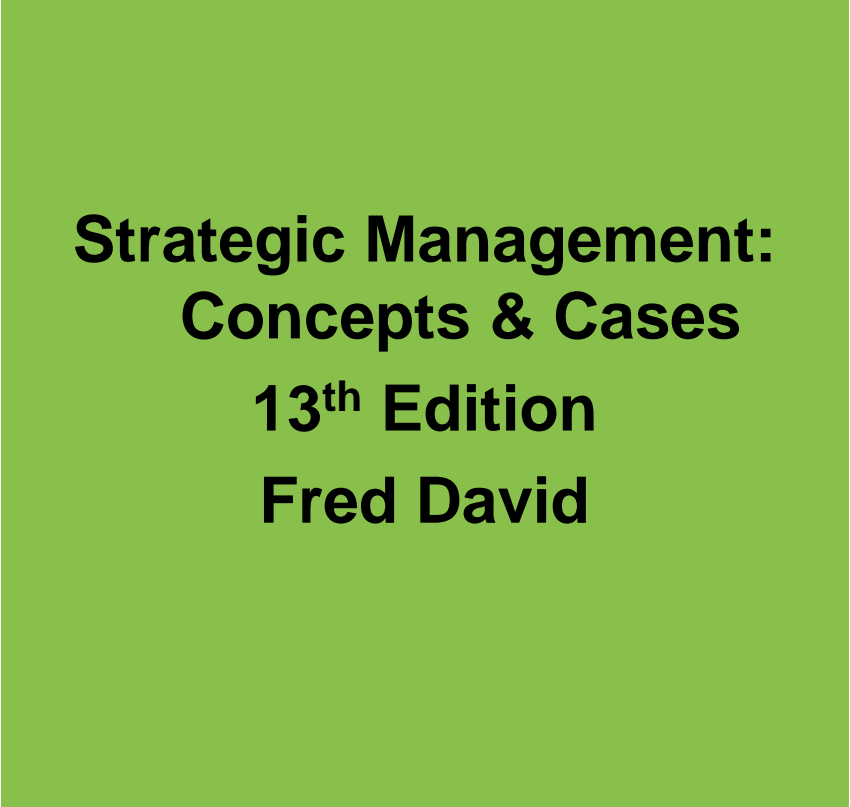


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# Chapter 1

## The Nature of Strategic Management

A green rectangular box containing the title and author information for the textbook.

**Strategic Management:  
Concepts & Cases  
13<sup>th</sup> Edition  
Fred David**

# Strategic Management –Defined

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

# Strategic Management

In essence, the **strategic plan** is a company's **game plan**

# 3 Stages of the Strategic Management Process

- Strategy formulation
- Strategy implementation
- Strategy evaluation

# Strategy Formulation



```
graph TD; A([Strategy Formulation]) --- B[Vision & Mission]; A --- C[External Opportunities & Threats]; A --- D[Internal Strengths & Weaknesses]; A --- E[Long-Term Objectives]; A --- F[Alternative Strategies]; A --- G[Strategy Selection];
```

**Vision & Mission**

**External Opportunities & Threats**

**Internal Strengths & Weaknesses**

**Long-Term Objectives**

**Alternative Strategies**

**Strategy Selection**

# Strategy Implementation

```
graph TD; A([Strategy Implementation]) --- B[Annual Objectives]; A --- C[Policies]; A --- D[Employee Motivation]; A --- E[Resource Allocation];
```

**Annual Objectives**

**Policies**

**Employee Motivation**

**Resource Allocation**

# Strategy Evaluation

```
graph TD; A([Strategy Evaluation]) --- B[Internal Review]; A --- C[External Review]; A --- D[Performance Measurement]; A --- E[Corrective Action];
```

**Internal Review**

**External Review**

**Performance Measurement**

**Corrective Action**

# Key Terms in Strategic Management

- Competitive advantage
- Strategists
- Vision and mission statements
- External opportunities and threats
- Internal strengths and weaknesses
- Long-term objectives
- Strategies
- Annual objectives
- Policies



# Strategic Management is Gaining and Maintaining Competitive Advantage

Anything that a firm does especially well compared to rival firms

# Strategists

```
graph TD; A([Strategists]) --- B[Gather Information]; A --- C[Analyze Information]; A --- D[Organize Information];
```

**Gather Information**

**Analyze Information**

**Organize Information**

# Vision and Mission Statements

**Vision Statement –  
What do we want to become?**

**Mission Statement –  
What is our business?**

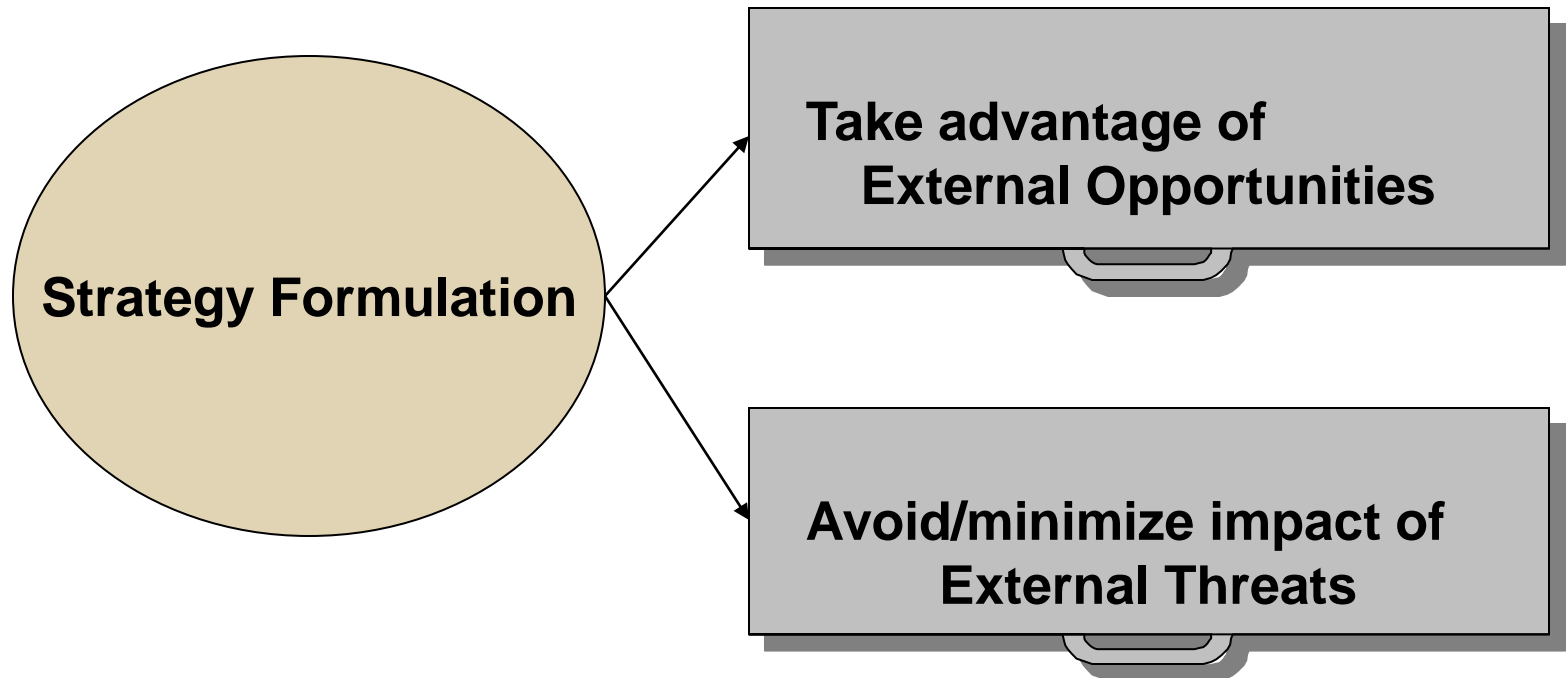
# External Opportunities and Threats

## Analysis of Trends

- ❑ Economic
- ❑ Social
- ❑ Cultural
- ❑ Demographic/Environmental
- ❑ Political, Legal, Governmental
- ❑ Technological
- ❑ Competitors

# External Opportunities and Threats

## Basic Tenet of Strategic Management



# Internal Strengths and Weaknesses

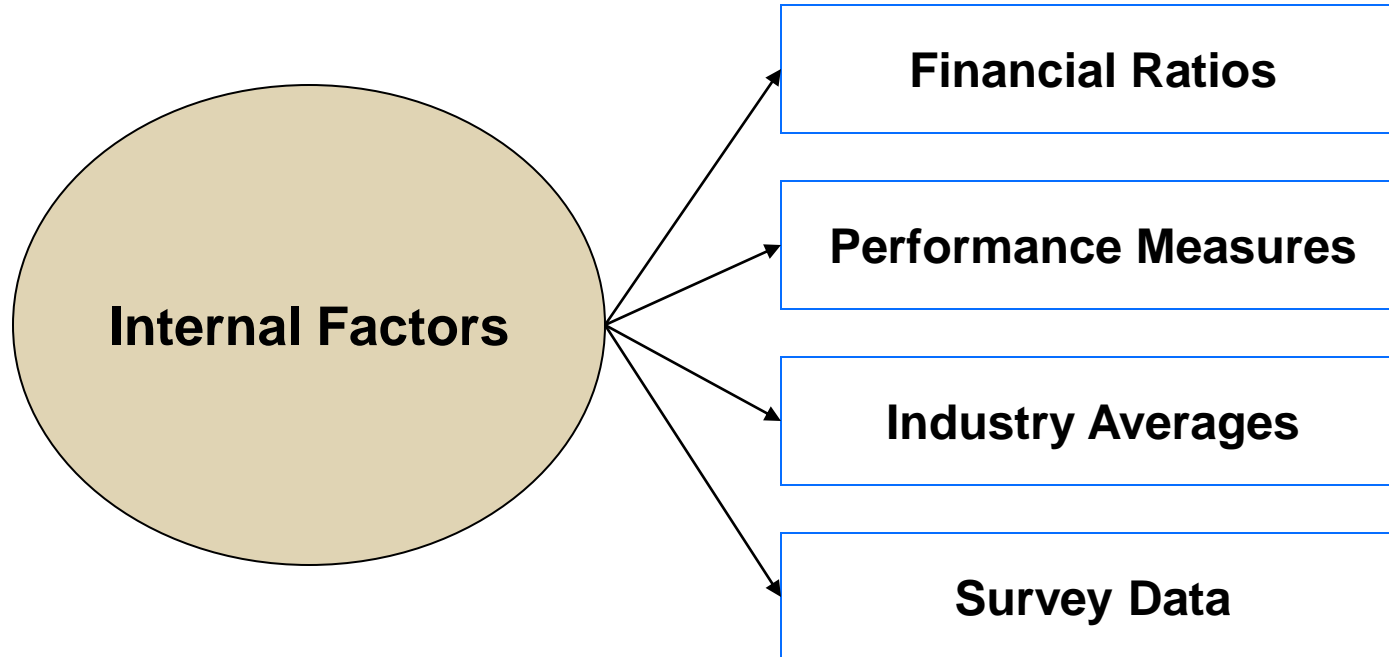
- ❑ Controllable activities performed especially well or poorly
- ❑ Determined relative to competitors

# Internal Strengths and Weaknesses

- Typically located in functional areas of the firm
  - ❑ Management
  - ❑ Marketing
  - ❑ Finance/Accounting
  - ❑ Production/Operations
  - ❑ Research & Development
  - ❑ Management Information Systems

# Internal Strengths and Weaknesses

## Assessing the Internal Environment





# Long-Term Objectives

- ❑ Specific results that an organization seeks to achieve in pursuing its basic mission
- ❑ Long-term means more than one year

# Long-Term Objectives

- **Essential for ensuring the firm's success**
  - **Provide direction**
  - **Aid in evaluation**
  - **Create synergy**
  - **Reveal priorities**
  - **Focus coordination**
  - **Provide basis for planning, organizing, motivating, and controlling**

# Strategies

Means by which long-term objectives are achieved

# Strategies

- Examples
  - Geographic expansion
  - Diversification
  - Acquisition
  - Product development
  - Market penetration
  - Retrenchment
  - Divestiture
  - Liquidation
  - Joint venture

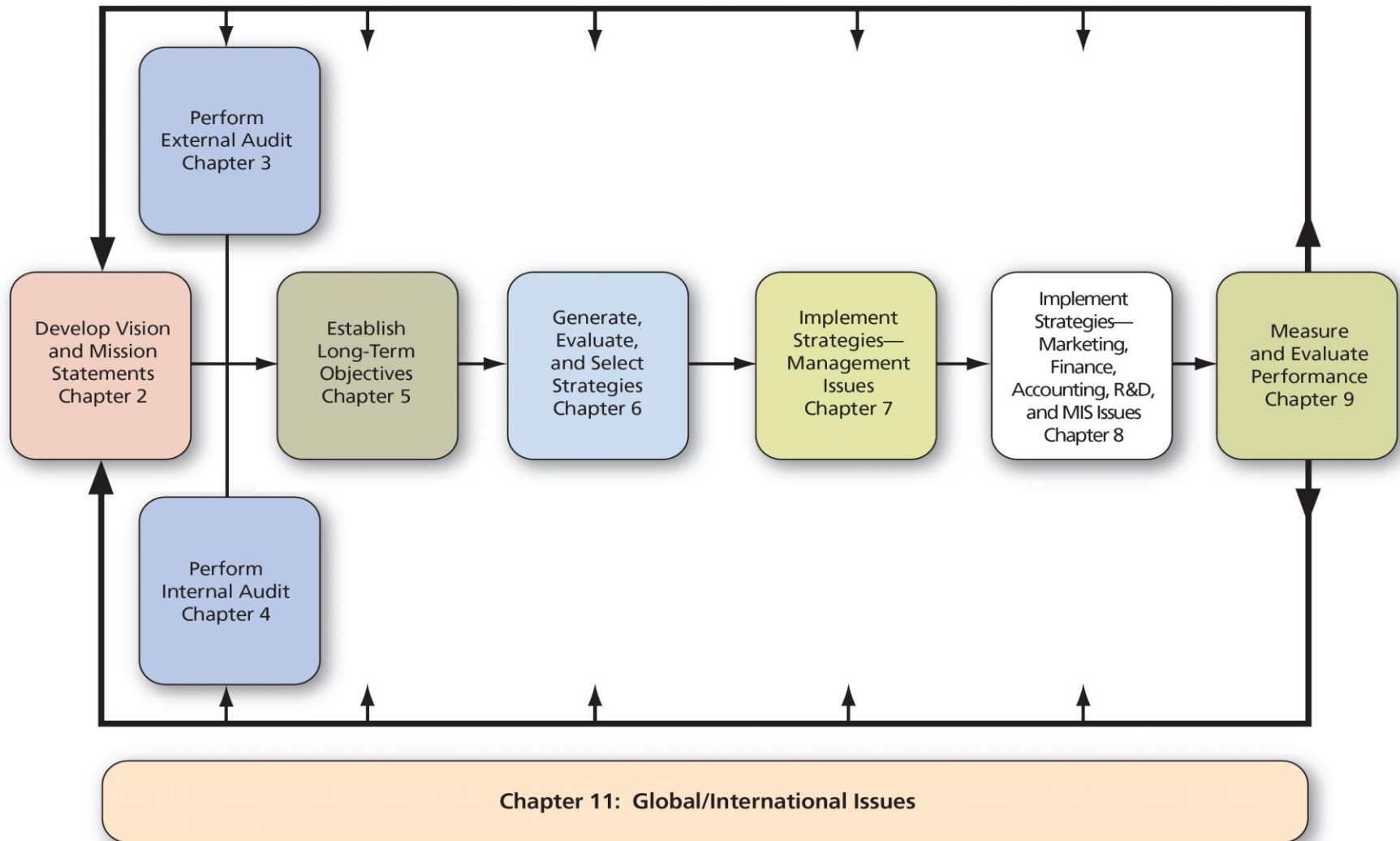
# Annual Objectives

Short-term milestones that firms must achieve to reach long-term objectives

# Policies

Means by which annual objectives will be achieved

## Chapter 10: Business Ethics/Social Responsibility/Environmental Sustainability Issues



# Strategic Management Model

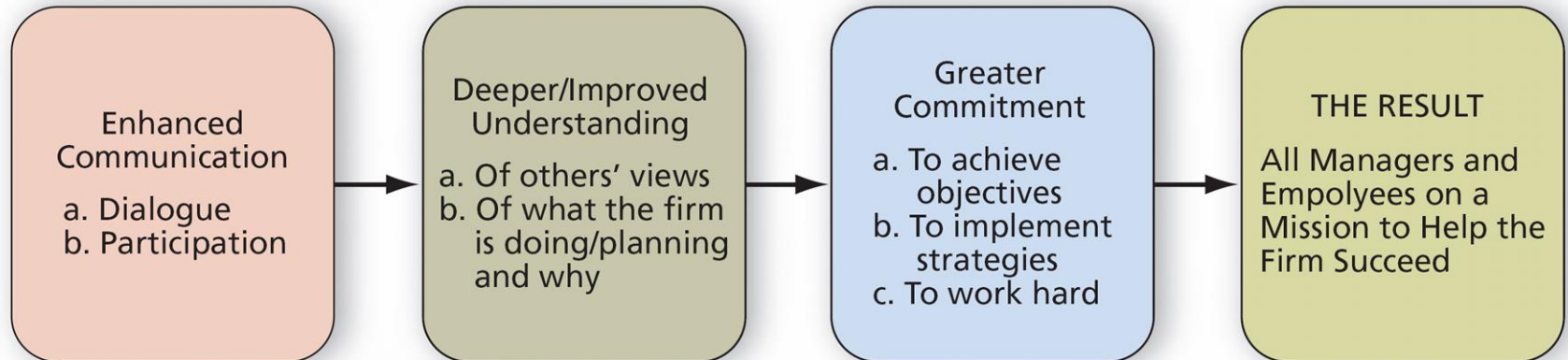
- ❑ Strategic Management Process
  - ❑ Dynamic & continuous
  - ❑ More formal in larger organizations



# Strategic Management

- Communication is a key to successful strategic management

# Benefits of Strategic Management



# Benefits of Strategic Management

- Financial Benefits
- Nonfinancial Benefits
  - Enhanced awareness of threats
  - Improved understanding of competitors' strategies
  - Increased employee productivity
  - Reduced resistance to change
  - Clearer understanding of performance-reward relationship
  - Enhanced problem-prevention capabilities

# Why Some Firms Do No Strategic Planning

- Lack of knowledge of strategic planning
- Poor reward structures
- Fire fighting
- Waste of time
- Too expensive
- Laziness
- Content with success

# Why Some Firms Do No Strategic Planning (continued)

- Fear of failure
- Overconfidence
- Prior bad experience
- Self-interest
- Fear of the unknown
- Honest difference of opinion
- Suspicion