

B0646

Fundamentals of Management

Strategic Management



Strategic Positioning

- To achieve sustainable *competitive advantage* by preserving what is *distinctive* about a company
- To perform different activities from rivals, or perform similar activities in different ways

Principles of Strategic Positioning

1. Strategy Is the Creation of a Unique & Valuable Position
 - *Few needs, many customers.*
 - *Broad needs, few customers.*
 - *Broad needs, many customers.*
2. Strategy Requires Trade-offs in Competing
 - A company has to choose not only what strategy to follow, but what strategy not to follow
3. Strategy Involves Creating a “Fit” among Activities
 - A company’s activities interact and reinforce one another

Why Planning & Strategic Management Are Important

1. Providing Direction & Momentum

- Strategy can determine the very structure of the organization
- A poor plan can send an organization in the wrong direction

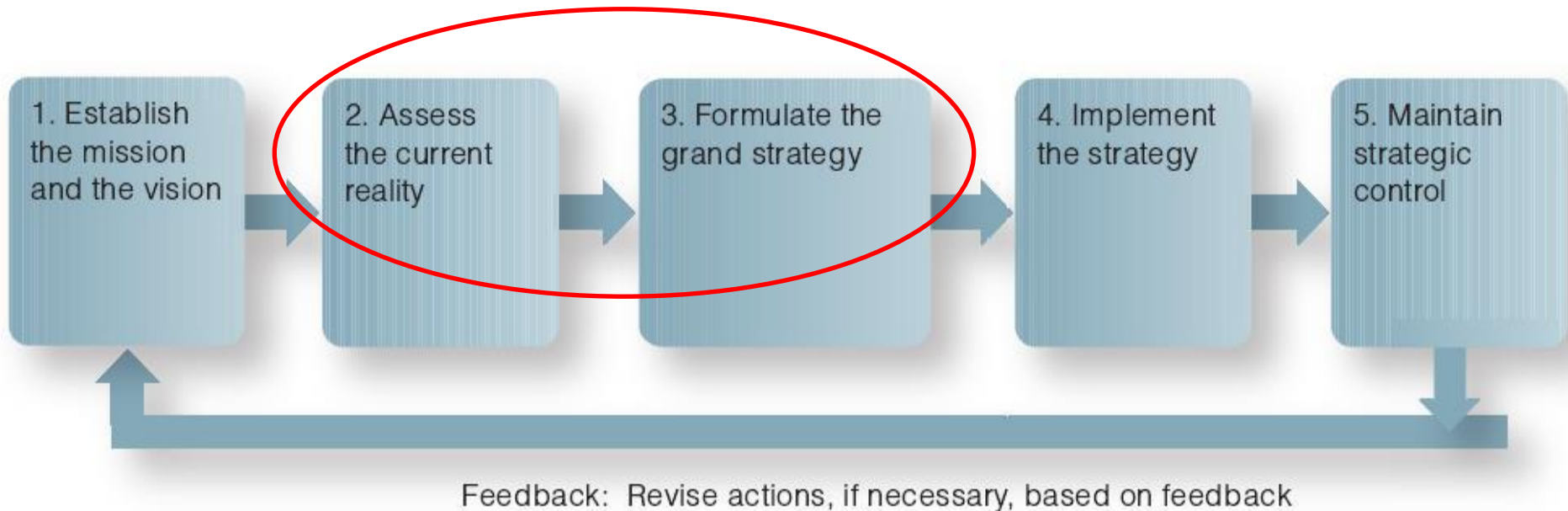
2. Encouraging New Ideas

- Far from being a straitjacket for new ideas, strategic planning can help encourage them by stressing the importance of innovation in achieving long-range success.
- Apple's strategy innovation

3. Developing a Sustainable Competitive Advantage

- Produce goods or services more effectively than its competitors do, (1) in being responsive to customers, (2) in innovating, (3) in quality, and (4) in effectiveness.

The Strategic Management Process



Step 1: Establish the Mission & the Vision

- The mission is the organization's purpose or reason for being, and it is expressed in a mission statement.
- An organization's vision is its long-term goal describing what it wants to become, and it is expressed in a vision statement, which describes its long-term direction and strategic intent.

- The mission statement of McGraw-Hill (publisher of this textbook):
 - To serve the worldwide need for knowledge at a fair profit by gathering, evaluating, producing, and distributing valuable information in a way that benefits our customers, employees, authors, investors, and our society.

- Walt Disney's vision for Disneyland :
 - Disneyland will be something of a fair, an exhibition, a playground, a community center, a museum of living facts, and a showplace of beauty and magic. It will be filled with the accomplishments, the joys and hopes of the world we live in. And it will remind us and show us how to make those wonders part of our own lives.
- Google's vision:
 - To organize the world's information and make it universally accessible and useful.

MISSION STATEMENTS: DOES YOUR COMPANY'S MISSION STATEMENT ANSWER THESE QUESTIONS?

1. Who are our customers?
2. What are our major products or services?
3. In what geographical areas do we compete?
4. What is our basic technology?
5. What is our commitment to economic objectives?
6. What are our basic beliefs, values, aspirations, and philosophical priorities?
7. What are our major strengths and competitive advantages?
8. What are our public responsibilities, and what image do we wish to project?
9. What is our attitude toward our employees?

VISION STATEMENTS: DOES YOUR COMPANY'S VISION STATEMENT ANSWER "YES" TO THESE QUESTIONS?

1. Is it appropriate for the organization and for the times?
2. Does it set standards of excellence and reflect high ideals?
3. Does it clarify purpose and direction?
4. Does it inspire enthusiasm and encourage commitment?
5. Is it well articulated and easily understood?
6. Does it reflect the uniqueness of the organization, its distinctive competence, what it stands for, what it's able to achieve?
7. Is it ambitious?

Step 2: Assess the Current Reality

- To look at where the organization stands and see what is working and what could be different so as to maximize efficiency and effectiveness in achieving the organization's mission.
- The tools for assessing the current reality:
 - *SWOT analysis*
 - *forecasting*
 - *benchmarking*
 - *Porter's model for industry analysis*

SWOT Analysis

- Environmental scanning: careful monitoring of an organization's internal and external environments to detect early signs of opportunities and threats that may influence the firm's plans.
- SWOT analysis—a situational analysis—a search for the Strengths, Weaknesses, Opportunities, and Threats affecting the organization.
- The SWOT analysis is divided into two parts:
 - *Internal strengths and weaknesses*
 - *External opportunities and threats*

- Inside matters:
 - organizational strengths—the skills and capabilities that give the organization special competencies and competitive advantages in executing strategies in pursuit of its vision.
 - organizational weaknesses—the drawbacks that hinder an organization in executing strategies in pursuit of its vision.
- Outside matters:
 - organizational opportunities—environmental factors that the organization may exploit for competitive advantage.
 - organizational threats—environmental factors that hinder an organization's achieving a competitive advantage.

INSIDE MATTERS—Analysis of Internal Strengths & Weaknesses

S—Strengths: inside matters

Strengths could be work processes, organization, culture, staff, product quality, production capacity, image, financial resources & requirements, service levels, other internal matters.

W—Weaknesses: inside matters

Weaknesses could be in the same categories as stated for Strengths: work processes, organization, culture, etc.

O—Opportunities: outside matters

Opportunities could be market segment analysis, industry & competition analysis, impact of technology on organization, product analysis, governmental impacts, other external matters.

T—Threats: outside matters

Threats could be in the same categories as stated for Opportunities: market segment analysis, etc.

OUTSIDE MATTERS—Analysis of External Opportunities & Threats

SWOT Analysis of **TESCO**



TABLE 6.2 SWOT Characteristics That Might Apply to a College

S—STRENGTHS (INTERNAL STRENGTHS)	W—WEAKNESSES (INTERNAL WEAKNESSES)
<ul style="list-style-type: none">• Faculty teaching and research abilities• High-ability students• Loyal alumni• Strong interdisciplinary programs	<ul style="list-style-type: none">• Limited programs in business• High teaching loads• Insufficient racial diversity• Lack of high-technology infrastructure
O—OPPORTUNITIES (EXTERNAL OPPORTUNITIES)	T—THREATS (EXTERNAL THREATS)
<ul style="list-style-type: none">• Growth in many local skilled jobs• Many firms give equipment to college• Local minority population increasing• High school students take college classes	<ul style="list-style-type: none">• Depressed state and national economy• High schools enrollments in decline• Increased competition from other colleges• Funding from all sources at risk

SWOT and TOWS

SWOT	Helpful	Harmful
Internal Origin	Strengths S1: S2: S3:..	Weaknesses W1: W2: W3:..
External Origin	Opportunities O1: O2: O3:..	Threats T1: T2: T3:..

TOWS	Opportunities O1: O2: O3:..	Threats T1: T2: T3:..
Strengths S1: S2: S3:..	SO Strategies Leverage S Maximize O	ST Strategies Leverage S Minimize T
Weaknesses W1: W2: W3:..	WO Strategies Counter W Maximize O	WT Strategies Counter W Minimize T

Practice

- Do a SWOT analysis for a company of your interest.
- List at least 3 elements of S, W, O and T

SWOT	Helpful	Harmful
Internal	Strengths S1: S2: S3:..	Weaknesses W1: W2: W3:..
External	Opportunities O1: O2: O3:..	Threats T1: T2: T3:..