

# ESSENTIALS OF MANAGEMENT:

## An International Perspective

### **Chapter 5: Strategies, Policies, and Planning Premises**

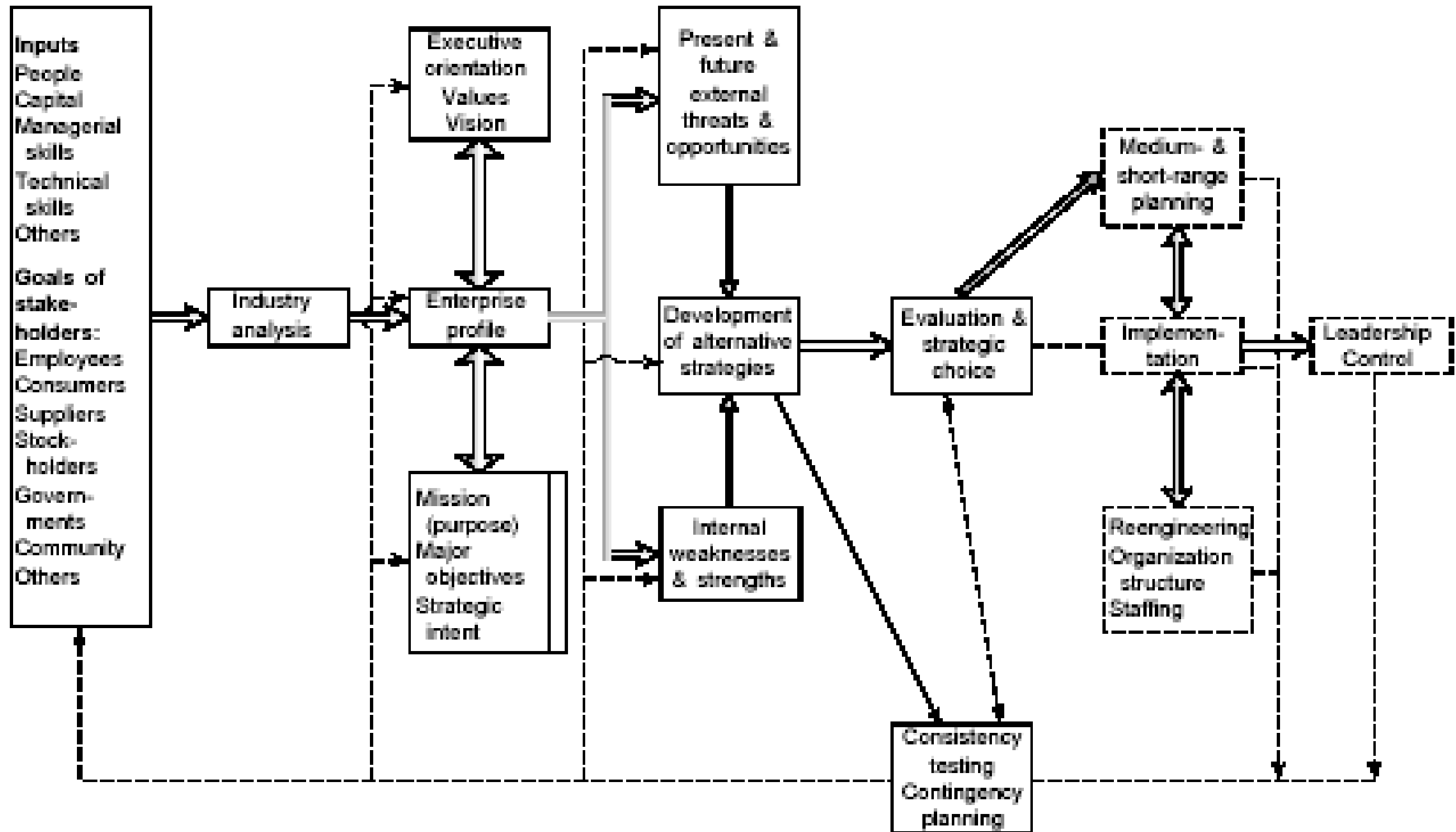
**After studying this chapter, you should understand:**

1. The nature and purpose of strategies and policies
2. The strategic planning process.
3. The TOWS Matrix and the Business Portfolio Matrix.
4. Some major kinds of strategies/policies and the hierarchy of strategies.
5. Porter's generic strategies.
6. The nature of premises and forecasts.

# Definition of Strategy and Policies

- **Strategy** is the determination of the mission (or the fundamental purpose) and the basic long-term objectives of an enterprise, and the adoption of courses of action and allocation of resources necessary to achieve these aims
- **Policies** are general statements or understandings that guide managers' thinking in decision making

# The Strategic Planning Process



# **The Strategic Planning Process**

- Inputs to the organization
- Industry Analysis
- Enterprise Profile
- Orientation, Values, and Vision
- Mission (Purpose), Major Objectives, and Strategic Intent
- Present and Future External Environment
- Internal Environment

# **The Strategic Planning Process -**

continued

- Development of Alternative Strategies
- Evaluation and Choice of Strategies
- Medium- and Short-Range Planning
- Implementation through Reengineering, Staffing, Leadership, and Control
- Consistency Testing and Contingency Planning

# Mission, Objectives, and Strategic Intent

- **Mission** relates to the kind of business
- **Objectives** are the end points for activities
- **Strategic intent** is the commitment to win in the competitive environment

# Definition of the TOWS Matrix

- The TOWS Matrix is a conceptual framework for a systematic analysis that facilitates matching the external threats and opportunities with the internal weaknesses and strengths of the organization



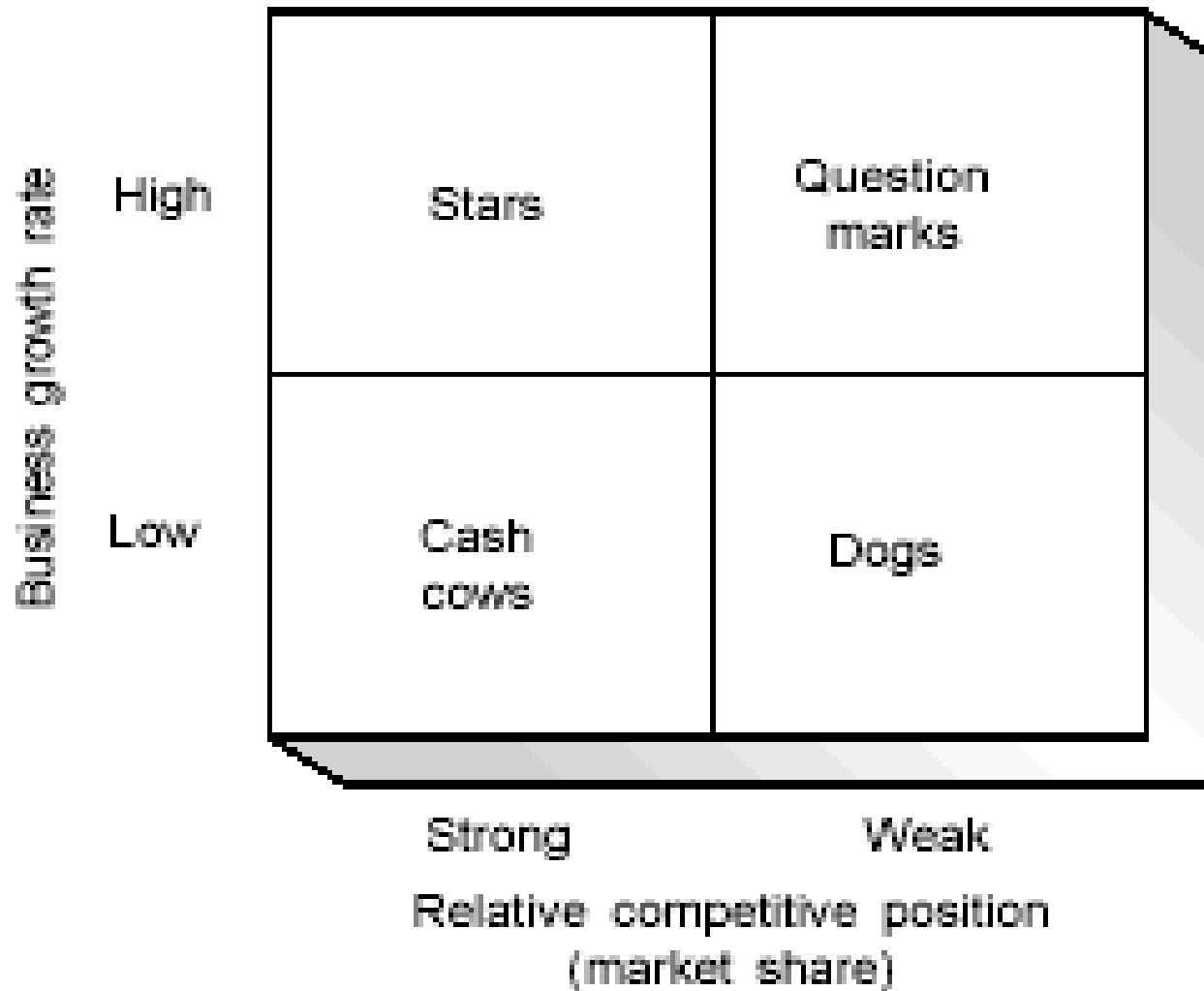
# TOWS Matrix

<div>Internal factors</div> <div>External factors</div>	<b>Internal strengths (S)</b> e.g., strengths in management, operations, finance, marketing, R&D, engineering	<b>Internal weaknesses (W)</b> e.g., weaknesses in areas shown in the box of "strengths"
<b>External opportunities (O):</b> (Consider risks also) e.g., current and future economic conditions, political and social changes, new products, services, and technology	<b>SO Strategy: Maxi-Maxi</b> Potentially the most successful strategy, utilizing the organization's strengths to take advantage of opportunities	<b>WO Strategy: Mini-Maxi</b> e.g., developmental strategy to overcome weaknesses in order to take advantage of opportunities
<b>External threats (T):</b> e.g., lack of energy, competition, and areas similar to those shown in the "opportunities" box above	<b>ST Strategy: Maxi-Mini</b> e.g., use of strengths to cope with threats or to avoid threats	<b>WT Strategy: Mini-Mini</b> e.g., retrenchment, liquidation, or joint venture to minimize both weaknesses and threats

# TOWS Matrix: 4 Alternative Strategies

- SO strategy:                      Maxi – Maxi
- WO strategy:                      Mini – Maxi
- ST strategy:                        Maxi – Mini
- WT strategy:                        Mini - Mini

# Business Portfolio Matrix



# Business Portfolio Matrix

- Two dimensions
  - Relative competitive position (market share)
  - Business growth rate
- Four positions
  - Question marks
  - Stars
  - Cash cows
  - Dogs

# Major Kinds of Strategies and Policies

- Products or Services
  - What are some of the key questions to ask?
- Marketing
  - What are some of the key questions to ask?

# HIERARCHY OF COMPANY STRATEGIES

- The corporate-level strategy. Executives craft the overall strategy for a diversified company
- Business strategies are developed usually by the general manager of a business unit
- Functional strategies. The aim is to support the business and corporate strategies.

# Five Forces in Industry Analysis (Porter)

- The competition among companies
- The threat of new companies entering the market
- The possibility of using substitute products or services
- The bargaining power of suppliers
- The bargaining power of the buyers or customers

# Porter's Generic Strategies

- Overall Cost Leadership Strategy
- Differentiation Strategy
- Focused Strategy (low cost or differentiation)



# Premising and Forecasting

- **Planning premises** are the anticipated environments in which plans are expected to operate
- Environmental Forecasting
  - Values and areas of forecasting
  - Forecasting with the Delphi technique
    - What are the typical steps of the technique?