Question 5

This course has been valuable in many aspects. First of all it gave me a solid foundation on how to manage a group of people. The course focused mainly on managing large companies, but I feel that some of the information from the course can also be used to manage small groups as well as large scale companies. This course had much information that can help a CEO perform his duties.

The first lesson in the course that stands out in my mind is charting a company’s direction from chapter 2. The strategy-executing process is an extremely useful concept for a CEO or any manager who needs to create a new strategy for their company. A diagram of this concept can be found on page 20. The first step of the process is to develop a vision, mission, and a set of core values. Since this step determines the direction that a company will move in it is important to have a concrete idea of what direction you want the company to move as well as why you believe the company should exist. A company’s mission is how they intend to achieve their vision for the company. The mission focuses on how a company is operating today in order to achieve their vision.

After crafting a vision and mission for a company it is important to decide what goals the company wants to reach. These goals can be financial benchmarks, reaching a certain market segment, or any other goal that a CEO wants to reach. These goals should fit with in the frame of the company’s mission and vision. For example a company that has a mission of serving a narrow segment of the market wouldn’t set a goal of expanding their market segment.

Once a goal is determined by a CEO they must determine a strategy to achieve this goal. Depending on the goal a CEO they will want to use different levels of the strategy making hierarchy. An illustration of this hierarchy can be seen on page 33 of the book. Generally speaking it means that depending on the size of the goal that the company is looking to achieve they should implement a strategy at various levels of the company. For example a corporate strategy is handled by the CEO, while an operation strategy is handled by brand or plant managers. As a CEO it is important to know where to implement and execute your strategy. Once a strategy has been implemented a CEO must analyze how well or poor the strategy was executed. After analyzing this information a CEO can go back to previous steps in the process to make changes in an attempt to implement a strategy successfully.

I think this concept is so useful because of how simple it is. Simple trial and error can be such a successful tool when trying to determine the correct plan of action for a company. I believe that this is the first tool that a CEO should have when deciding the direction of a company. Aside from business uses I believe that this concept can also be used in all levels of a business to some extent. It may not be use to the same extent as it is by a CEO, but the concept could still be valuable to lower level employees of a company.

Three chapters that I feel fit well together are chapters 3-5. Chapter 3 talks about how a company can evaluate their external environment. This is best illustrated through the diagram on page 47. The diagram shows that a company’s external factors fall under the immediate competitive environment and the macro-environment. The immediate environment references straight forward business factors such as customers, competitors, supplier, and etcetera. The macro environment includes sociocultural factors, environmental factors, economic factors, political factors, and more. IT is important to know the distinction between these two environments. This is because it is possible for a CEO to have some influence on the immediate environment, but not possible to have a large effect on their macro-environment on a meaningful level.

Another way to analyze a company’s immediate environment is through the five forces model. A diagram of this model can be seen on page 49. It helps a company measure their standing in their immediate environment by measuring the factors associated with the five forces. The information gathered from the five forces model helps a CEO better understand where their company is situated within their immediate environment. It is very important for a CEO to understand their external circumstances if they are to be successful.

Chapter 4 goes into detail on how a company can evaluate their resources and capabilities. This concept goes well with the previous chapter because it allows a CEO to biter understand their company so they can make decisions accordingly. This chapter can be broken down by a series of questions that a company must address to better understand their capabilities. The first question is “How well is the companies present strategy working?” To answer this question there are several financial ratios that a company can use to measure their current performance. These ratios can be found in table 4.1 on page 81. The general rule is that when a company is preforming well financially that means there is a high chance that they have a well-conceived and well executed strategy. The second question is “What are the company’s most valuable resources and capabilities?” Resources can take many forms for a company. Some examples are an exclusive manufacturing process or a highly regarded IP. When a company is analyzing its resources they can use these 4 metrics: is it valuable, rare, inimitable, or no substitutable. If a CEO sees that a resource or capability preforms strongly in several of these categories then they can use that resource to gain a competitive advantage. The next step is to do a SWAT analysis on the company. Then compare the company’s strengths to its external threats. A CEO should focus their company’s resources on activities that they have an advantage in over other companies. The final question to ask is whether you are stronger or weaker than key rivals. This is done after the SWAT analysis so the CEO has a better idea of how their company performs in relation to other companies. We can look at an analysis in table 4.4 on page 106. This ranking helps a CEO better understand what areas they are strong in, and where the company needs improvement.

Chapter 5 ties these two concepts together through the five generic competitive strategies. These in order to properly implement one of the five generic strategies a CEO must fully understand their company’s place in the environment of a particular industry. They must understand the strengths and weaknesses of a particular brand or product line as well as how it will compete with competing brands on the market. For example if a CEO finds that their company has a strong asset in their supply chain that allows them to sell products at a low price relative to their competition then they would want to focus on an overall low-cost strategy. This is because competitors wouldn’t be able to keep prices as low. Another example would be if our CEO’s company has a robust R&D division that produces technology breakthroughs that can be used to make new and unique products. If this is the case than the CEO should focus on a broad differentiation strategy. It is important to gain a full picture of a company and the external environment that it resides before making large scale strategy decisions.

When a CEO looks to expand the company they may think that it is wise to expand to international markets. They may desire to do this for a number of reasons be mainly they do it to increase profits. There are a number of international strategies for selling goods. These are export, licensing, franchising, foreign subsidiary, and joint venture strategies. These strategies are arranged in order of risk, export being the least risky and joint venture being the most. A company may want to peruse these risky strategies because there is a much higher potential for profits. It is important for a company to understand the local culture of the country they intend to expand to. Without proper knowledge of the new market the expansion could end up being a massive failure. Like all strategic business moves it is important for the CEO to fully understand all factors of the decision that they are about to make.

I believe that the ethical responsibility discussed in chapter 9 is one of if not the most important chapters in the book. It is important for a CEO to perform their job to the best of their ability, but that should not mean breaking the ethics of society. Business ethics and personal ethics are the same thing. This means that if it is unethical for a person to do something then it is unethical for a company to do it. Some people would argue that business ethics should be of a lower ethical standard than personal ethics, but I view this as a cynical attitude.

A company should be able to peruse profits, but they have a duty to the society in which they operate to hold themselves to the ethical standards of that society. If a CEO sees that they can operate within the law but below the ethical standards of a society, they still have a duty to follow ethical standards. The blind pursuit of profits at all cost hurts all people involved. The idea that “business is business” is faulty because it leads to people becoming detached from their behaviors that lead to people being harmed due to these practices. Aside from the moral argument of acting ethically there is also a strong financial incentive to act according to the ethics of a society. In figure 9.1 on page 267 we can see the various costs associated with acting unethically. The most damaging of these costs is are the intangible costs. These reference the loss of customer good will, employee morale, and company reputation. These financial losses should be enough for a company to act according to the ethical standards of a society.

It is important for a company to have a strong corporate culture. By “strong” I mean a culture that promotes the wellbeing of employees as well as allowing innovation to thrive. A CEO should view the employees of their company not as a resource to be used by the company, but as partners that can both boost the profits of a company. If you take care of your employees then they will take care of you.

Apart from the chapter work I feel that one very useful aspect of this course is the case presentations. The cases allowed us to gain a good understanding of the different strategies that a company may use to achieve their goals. They were a good practical demonstration of the concepts that we learned through the course. Looking deep into the operations of a company and trying to gain a better understanding of what they are doing right and wrong was an interesting way to see how a CEO or manager may implement the concepts of the course. The various cases offered several different financial and strategic situations that will be a useful tool in the future if I ever have to make similar decisions for a company or in a particular division of a company. I have no doubt that the information offered in this course will be invaluable to the future success of our business careers.