

BBM 462: STRATEGIC MANAGEMENT

FACILITATOR: DR GLORIA TUWEI

Introduction

What is Strategic Management?

Strategic Management is the process of defining, planning, implementing, and evaluating strategies to achieve an organization's long-term objectives and competitive advantage. It focuses on integrating various functions of an organization to align with its environment and fulfill stakeholder expectations.

Key Elements:

- Vision and mission formulation
- Environmental analysis (internal and external)
- Strategy development
- Implementation and execution
- Monitoring and control

Hitt, Ireland, & Hoskisson (2020) describe strategic management as "the full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average returns."

Mintzberg et al. (1998) emphasize the importance of balancing deliberate and emergent strategies in dynamic environments.

Importance of Strategic Management

- Provides direction and focus by defining long-term objectives.
- Enhances competitive advantage by positioning the organization effectively in the market.
- Improves resource allocation by prioritizing critical initiatives.

- Enables organizations to adapt to environmental changes proactively.
- Facilitates better decision-making through systematic analysis.

Kaplan and Norton's (1996) Balanced Scorecard approach highlights how strategic alignment improves organizational performance.

Key Concepts in Strategic Management

a. Vision, Mission, and Objectives

Vision Statement: Describes the future aspirations of the organization.

Mission Statement: Defines the organization's purpose, scope of operations, and core values.

Objectives: Specific, measurable goals derived from the vision and mission.

b. Levels of Strategy

Corporate-Level Strategy: Focuses on the overall scope and direction of the organization (e.g., diversification, mergers).

Business-Level Strategy: Deals with how a business competes in a particular market (e.g., cost leadership, differentiation).

Functional-Level Strategy: Focuses on specific operational areas like marketing, HR, and production.

c. Environmental Analysis

Internal Analysis: Assessment of resources, capabilities, and core competencies (e.g., SWOT analysis).

External Analysis: Examination of external forces such as competitors, customers, and macroeconomic trends (e.g., PESTEL analysis, Porter's Five Forces).

Porter's (1980) Five Forces model remains a foundational tool for industry analysis.

Barney (1991) introduced the VRIO framework to assess resources and capabilities for competitive advantage.

Strategic Management Process

Step 1: Strategic Analysis

Tools and Techniques:

SWOT Analysis: Identifies strengths, weaknesses, opportunities, and threats.

PESTEL Analysis: Examines political, economic, social, technological, environmental, and legal factors.

Porter's Five Forces: Analyzes industry competition.

Step 2: Strategy Formulation

Develop strategies based on insights from the analysis phase.

Use models like Ansoff Matrix (market penetration, product development) or BCG Matrix (categorizing business units).

Step 3: Strategy Implementation

Translate strategies into actionable plans.

Align organizational structure, culture, and resources.

Manage resistance to change through effective communication and leadership.

Step 4: Strategy Evaluation and Control

Continuously monitor progress and performance using metrics like Key Performance Indicators (KPIs).

Adapt strategies based on feedback and changes in the environment.

Andrews (1980) introduced the concept of the strategy formulation-implementation-evaluation cycle.

Kaplan and Norton (2004) emphasize the role of performance measurement systems in strategy execution.

The Role of Leadership in Strategic Management

Leaders provide vision and inspire commitment.

Effective leadership ensures alignment between strategy and organizational culture.

Leadership drives change and innovation.

Kotter (1996) highlights the role of leadership in managing change effectively.

Challenges in Strategic Management

- Uncertainty and Change: Rapidly changing environments can render strategies obsolete.
- Resource Constraints: Limited financial, human, and technological resources.
- Implementation Issues: Resistance to change and poor communication.
- Globalization: Navigating diverse markets, cultures, and regulations.

Prahalad and Hamel (1990) emphasize the importance of core competencies in overcoming resource limitations.

Case Studies in Strategic Management

Encourage students to explore real-world examples such as:

Apple Inc.: Innovation and differentiation strategies (Isaacson, 2011).

Coca-Cola: Global market expansion (Ghemawat, 2001).

Tesla: Disruptive strategies in the automotive industry (Mangram, 2012).

Conclusion

Strategic management is a vital discipline that equips organizations with the tools to achieve long-term success. By integrating analysis, formulation, and execution, strategic management helps businesses navigate complexities and create value for stakeholders.

Key Takeaways

Strategic management ensures alignment between organizational goals and environmental factors.

It is a continuous process requiring agility and adaptability.

Effective leadership and informed decision-making are critical for success.

Rumelt (2011) highlights the importance of good strategy in overcoming challenges.

Components of strategy

- i) Scope or domain-
- ii) Resource deployments-
- iii) Competitive advantage-
- iv) Synergy-

Evolution of a company's strategy

The intended strategy will not likely be the realized strategy due to the influence of :-

- i) Emergent strategy
- ii) Unrealized strategy

Emergent strategies are additions to the intended strategy from changing environment. Unrealized strategies are those that have been abandoned due to their redundancy of obsolescence.

Advantages of firms engaging in strategic management

1. Allows firms to be more proactive than reactive in shaping its own future
2. Allows firms to initiate and influence rather than respond to activities when they are out of control
3. Enable firms to formulate better strategies
4. Involvement of management and employees foster commitment to supporting the organization

5. Allows identification, prioritization and exploitation of opportunities
6. Facilitates control
7. Promotes synergy
8. Facilitates culture and attitudinal change in organizations to suit strategy

Why some firms do not engage in strategic planning/management

1. Fire fighting or constant crisis management
2. Waste of time attitude
3. High cost
4. Contend with success
5. Fear of failure
6. Prior bad experience

THE TEN SCHOOLS OF STRATEGIC MANAGEMENT

THE PRESCRIPTIVE SCHOOLS

SCHOOL	PHILOSOPHY & DEFINITIONS	TOOLS	ADVANTAGES	DISADVANTAGES	Theories	Critique
1. Design School: strategy formation as a process of <i>conception</i>	- regards strategy formation as a process of conception, matching the internal situation of the organization to the external situation of the environment. Thus the strategy of the organization is designed to represent the best possible fit. Strategy development is a	Strengths, Weaknesses, Opportunities Threats (SWOT) analysis	-Forces consideration of external factors - Process probably most appropriate in organizations that need a major re-orientation (re-conception)	Places great emphasis upon ability to forecast the future. Therefore if the strategic planner cannot predict the future external environment, what hope does the strategy have?	Contingency- most profitable firms are likely to those that develop the best fit of the environment.	-

	<p>rigorous and rational process</p> <p>Strategy precedes structure in the organization</p>					
2. Planning School: strategy formation as a <i>formal</i> process	<p>Here strategy formation is seen as a formal process, which follows a rigorous set of steps from analysis of the situation to the development and exploration of various alternative scenarios</p> <p>Strategy can be developed by specialists in the science of developing strategy</p> <p>Should be a formal strategic planning department in the organization (reporting to the CEO)</p> <p>Synthesis can follow from analysis</p>	<p>Rigorous strategic planning methodologies</p> <p>Scenario analysis and planning</p>	<p>Planners can evaluate true strategic options, if these are somehow created in the process</p>	<p>The process may become more important than the product</p> <p>Process has no place for creative thought</p>		
3. Positioning School: strategy formation as an <i>analytical</i> process	<p>This approach is influenced by Michael Porter, strategy formation as an analytical process placing the business within the context of the industry that it is in, and looking at how the organization can improve its competitive positioning within that industry.</p>	<p>Boston Consulting Group (BCG) Growth Share matrix</p> <p>BCG Experience Curve</p> <p>Profit Impact</p>	<p>Emphasis on analysis and calculation can be a very strong support to the strategy development process.</p>	<p>Analysis and calculation should not become the process. Strategy is more richer than this</p>	<p>Michel potters Five forces,</p>	

	<p>Originated in military planning (e.g. Sun Tzu, <i>The Art of War</i>)</p> <p>Strategy is a combination of defensive and offensive moves</p> <p>Premise is that industry structure drives strategic position which drives organization structure</p>	<p>of Market Strategies (PIMS)</p> <ul style="list-style-type: none"> -Michael Porter's Generic Strategies - Michael Porter's Value Chain -Game theory 				
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THE DESCRIPTIVE APPROACH SCHOOLS

SCHOOL	PHILOSOPHY & DEFINITIONS	TOOLS	ADVANTAGES	DISADVANTAGES	Theories	
4. Entrepreneurial School: strategy formation as a <i>visionary</i> process	<p>This approach regards strategy formation as a visionary process, taking place within the mind of the charismatic founder or leader of an organization.</p> <p>The strategy of an organization is dependent upon the vision and drive of one entrepreneurial individual</p>	None, the process of strategy development is a 'black box' in the mind of the visionary	Does recognize the tremendous contribution that a visionary genius can make to an organization	<p>No real understanding of how the vision is created in the mind of the leader</p> <p>No real ability for the organization to carry on after the visionary is gone</p>		<p>Best for start ups, owner managed firms</p> <p>Turn around firms</p>
5. Cognitive School: strategy	This approach, based upon the science of brain	Cognition maps	This school shows great promise, but as	Focus to date has been upon strategy		

formation as a <i>mental</i> process	functioning, regards strategy formation as a mental process, and analyzes how people perceive patterns and process information.	Frames Shemata Concepts	yet is relatively undeveloped	formulation as an individual rather than a collective process (which is much more difficult to understand and manage)		
6. Learning School: strategy formation as an <i>emergent</i> process	This school of thought regards strategy formation as an emergent process, where the management of an organization pays close attention to what works and doesn't work over time, and incorporates these 'lessons learned' into their overall plan of action	Intuiting Interpreting Integrating Institutionalizing Incrementality The learning organization The knowledge spiral Chaos theory	Recognition that strategy must be consonant with the patterns of behaviour and response that are inherent within an organization Recognition that strategy changes and evolves over time; a counterbalancing force to the over-emphasis on 'rationality' that has dominated strategic planning for so long	Taken to the extreme, under this school, "anything goes": no strategy, or the wrong strategy, become equally valid Danger that lack of urgency, or lack of discipline, may predominate and nothing significant changes	Chaos theory	
7. Power School: strategy formation as a process of <i>negotiation</i>	Here strategy development is seen to be a process of negotiation between power holders within the company, and/or between the company and external stakeholders	Bargaining Conflict, and conflict resolution Stakeholder analysis	Clearly, power is an element in strategy development Most appropriate in situations involving complex, highly decentralized organizations of	This school tends to the rather narrow view that all strategy can be viewed as a power struggle or a power exchange	Stakeholders theory Agency theory	

		Political analysis Ploys and counter ploys	experts, where many actors have the power and inclination to further their own interests (e.g. universities) Also may be appropriate for large and mature organizations, where power structures are well established			
8. Cultural School: strategy formation as a <i>collective</i> process	This approach views strategy formation as a collective process involving various groups and departments within the company; the strategy developed is thus a reflection of the corporate culture of the organization.	Values Beliefs Corporate myths Corporate culture	Recognizes that the corporate culture, however intangible and ill-defined, is an important variable that will influence the culture of an organization	Concepts are vague and lack precision Tends to favor the status quo (consistency and continuation of the existing culture), and thus discourage necessary change	Resource based theory	
9. Environmental School: strategy formation as a <i>reactive</i> process	Here strategy formation is seen to be a reactive process: a response to the challenges imposed by the external environment.	Stability Complexity Market diversity and niche Adaptation	Recognizes the importance of environment as context (like the positioning school) Allows for recognition that the death of business entities and indeed entire industries, is a	Definition of the environment is often so complex that no useful analysis can be done Accords too much control to the environment: two different firms in exactly the same industry facing	Contingency theory	

		Contingency theory Organization and industry as ecosystem	natural and perhaps inevitable phenomenon	exactly the same environment, can have vastly different strategies		
10. Configuration School: strategy formation as a process of <i>transformation</i>	In this final approach, the purpose of strategy formation is seen as a process of transforming the organization from one type of decision-making structure into another. Revitalization is a process of moving from one configuration to another (i.e. transformation)	Alternative configurations: ■ entrepreneurial organization ■ machine organization ■ professional ■ diversified ■ adhocracy ■ missionary ■ political	Appropriate in some organizations where the status quo approach will not suffice in future	May force major change in an organization where this is not warranted	Transformational theory	

Suggested Readings and Resources

Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2020). Strategic Management: Competitiveness and Globalization.

Porter, M. E. (1980). Competitive Strategy: Techniques for Analyzing Industries and Competitors.

Kaplan, R. S., & Norton, D. P. (2004). Strategy Maps: Converting Intangible Assets into Tangible Outcomes.

Harvard Business Review: Articles on Strategy.

Online simulations and case study repositories (e.g., Harvard Case Studies, Business Strategy Game).