

---

*ADMAS UNIVERSITY*  
*MBA PROGRAM*

**STRATEGIC MANAGEMENT**

---

---

# Chapter - One

## Strategic Management - An Overview

---

---

# CHAPTER OBJECTIVES

After studying this chapter, you should be able to do the following:

1. Describe the strategic-management process.
  2. Explain the need for integrating analysis and intuition in strategic management.
  3. Define and give examples of key terms in strategic management.
  4. Discuss the nature of Strategy formulation, implementation, and evaluation activities.
  5. Describe the benefits of good strategic management.
  6. Discuss the relevance of Sun Tzu's *The Art of War* to strategic management.
  7. Discuss how a firm may achieve sustained competitive advantage.
-

---

■ "If we know where we are and something about how we got there, we might see where we are trending—and if the outcomes which lie naturally in our course are unacceptable, to make timely change." —Abraham Lincoln

■ "Without a strategy, an organization is like a ship without a rudder, going around in circles. It's like a tramp; it has no place to go."

—Joel Ross and Michael Kami

■ "Plans are less important than planning."

—Dale McConkey

---

# Strategic Management – Concept

- History of Strategy began in the military.
- Word 'Strategy' comes from Greek word 'Straegos', that refers to military general and combines 'stratos' (army) and 'ago' (to lead).
- 1st used around 360 BC, when the Chinese military strategist sun Tzu wrote the **art of war**,

# Strategic Management – Concept

- Both Military Strategy and Business Strategy focus how to use their own strengths to exploit enemy's / competitor's weaknesses.
- Fundamental difference between Military Strategy and Business Strategy is that Military strategy is based on the assumption of 'Conflict', whereas Business Strategy is based on the assumption of 'Competition'.
- Strategic Management as an academic discipline started to develop in the 1950s.

# Strategic Management – Defined

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

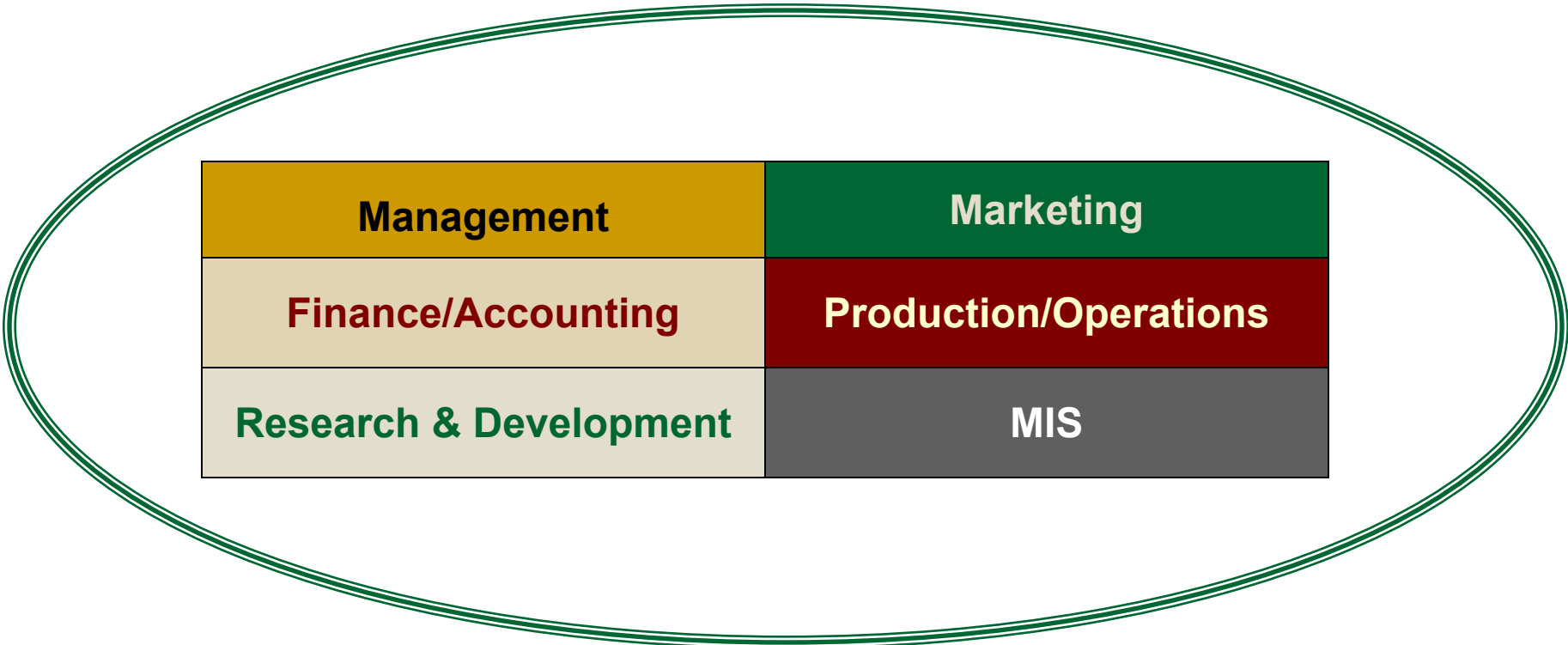
## Strategic Management – Defined.....cont'd

- Strategic management is a set of managerial decisions and actions that determines the long run performance of a corporation.
  - It includes environmental scanning (both external and internal), strategy formulation (long-range planning), strategy implementation, and evaluation and control.
  - The study of strategic management, therefore, emphasizes the monitoring and evaluating of external opportunities and threats in light of a corporation's strengths and weaknesses
-



- strategic management is used to refer to strategy formulation, implementation, and evaluation, with strategic planning referring only to strategy formulation.
  - A **strategic plan** is a company's game plan.
  - A strategic plan results from tough managerial choices among numerous **good alternatives**, and it signals commitment to specific markets, policies, procedures, and operations.
-

# Strategic Management achieves a firm's success through integration –



<b>Management</b>	<b>Marketing</b>
<b>Finance/Accounting</b>	<b>Production/Operations</b>
<b>Research &amp; Development</b>	<b>MIS</b>

# Stages of Strategic Management

Strategic Management process consists of 3 stages:

Strategy  
formulation

Strategy  
implementation

Strategy  
evaluation

# Stages of Strategic Management

## ■ **Strategy formulation**

- includes developing a vision and mission, identifying an organization's external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing particular strategies to pursue

# Strategy Formulation

- ❖ Deciding what new businesses to enter,
- ❖ What businesses to abandon,
- ❖ How to allocate resources,
- ❖ Whether to expand operations or diversify,
- ❖ Whether to enter international markets,
- ❖ Whether to merge or form a joint venture,
- ❖ How to avoid a hostile takeover.

# Stages of Strategic Management

## ■ **Strategy implementation**

- requires a firm to establish annual objectives, devise policies, motivate employees, and allocate resources so that formulated strategies can be executed
- often called the action stage

---

# Stages of Strategic Management

- **Strategy evaluation**

- reviewing external and internal factors that are the bases for current strategies, measuring performance, and taking corrective actions

# Stages of Strategic Management

- ❖ Strategy formulation, implementation, and evaluation activities occur at **three hierarchical levels** in a large organization: corporate, divisional or strategic business unit, and functional
- ❖ Strategic management helps a firm function as a competitive team



---

# Key Terms in Strategic Management

## ■ **Competitive advantage**

- anything that a firm does especially well compared to rival firms

## ■ **Strategists**

- the individuals who are most responsible for the success or failure of an organization

---

# Key Terms in Strategic Management

## ■ **Vision statement**

- ❑ answers the question “What do we want to become?”
- ❑ often considered the first step in strategic planning

---

# Key Terms in Strategic Management

## ■ **Mission statements**

- ❑ enduring statements of purpose that distinguish one business from other similar firms
  - ❑ identifies the scope of a firm's operations in product and market terms
  - ❑ addresses the basic question that faces all strategists: "What is our business?"
-

---

# Key Terms in Strategic Management

- **External opportunities and external threats**
    - refer to economic, social, cultural, demographic, environmental, political, legal, governmental, technological, and competitive trends and events that could significantly benefit or harm an organization in the future
-

---

# Key Terms in Strategic Management

- **Internal strengths and internal weaknesses**
    - an organization's controllable activities that are performed especially well or poorly
    - determined relative to competitors
-

---

# Key Terms in Strategic Management

## ■ Objectives

- ❑ specific results that an organization seeks to achieve in pursuing its basic mission
  - ❑ long-term means more than one year
  - ❑ should be challenging, measurable, consistent, reasonable, and clear
-

---

# Key Terms in Strategic Management

## ■ **Strategies**

- ❑ the means by which long-term objectives will be achieved
  - ❑ may include geographic expansion, diversification, acquisition, product development, market penetration, retrenchment, divestiture, liquidation, and joint ventures
-

---

# Key Terms in Strategic Management

## ■ **Annual objectives**

- ❑ short-term milestones that organizations must achieve to reach long-term objectives
  - ❑ should be measurable, quantitative, challenging, realistic, consistent, and prioritized
  - ❑ should be established at the corporate, divisional, and functional levels in a large organization
-



---

# Key Terms in Strategic Management

## ■ Policies

- ❑ the means by which annual objectives will be achieved
  - ❑ include guidelines, rules, and procedures established to support efforts to achieve stated objectives
  - ❑ guides to decision making and address repetitive or recurring situations
-

---

# The Strategic-Management Model

**Where are we now?**

**Where do we want to go?**

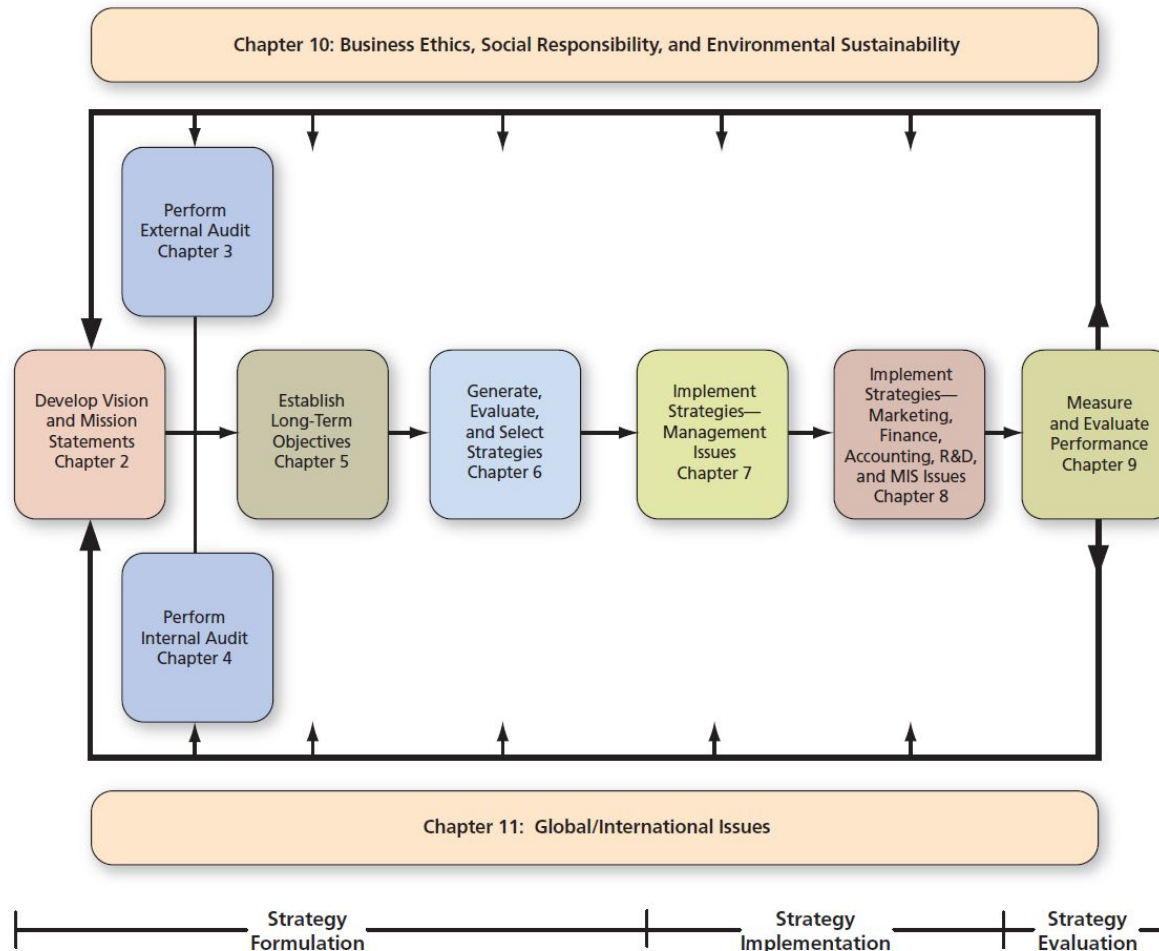
**How are we going to get there?**

---

# A Comprehensive Strategic-Management Model

FIGURE 1-1

## A Comprehensive Strategic-Management Model



---

# Integrating *Intuition* and *Analysis*

The strategic management process attempts to organize quantitative and qualitative information under conditions of uncertainty

---

# Integrating *Intuition* and *Analysis*

## **Intuition is based on:**

- ❑ Past experiences
- ❑ Judgment
- ❑ Feelings

## **Intuition is useful for decision making in:**

- ❑ Conditions of great uncertainty
- ❑ Conditions with little precedent



# Integrating *Intuition* & *Analysis*

Intuition & Judgment



```
graph TD; A[Intuition & Judgment] --> B[Involve Management at all levels]; A --> C[Influence all Analyses];
```

**Involve Management at all levels**

**Influence all Analyses**

---

**Intuition + Analysis**



**Effective Strategic Decisions**

---

# The Stages and Activities in the Strategic Management Process

## Stages

## Activities

Strategy  
formulation

Conduct  
investigation

Integrate  
intuition with  
analysis

Make  
decisions

Strategy  
implementation

Establish  
annual  
objectives

Devise  
policies

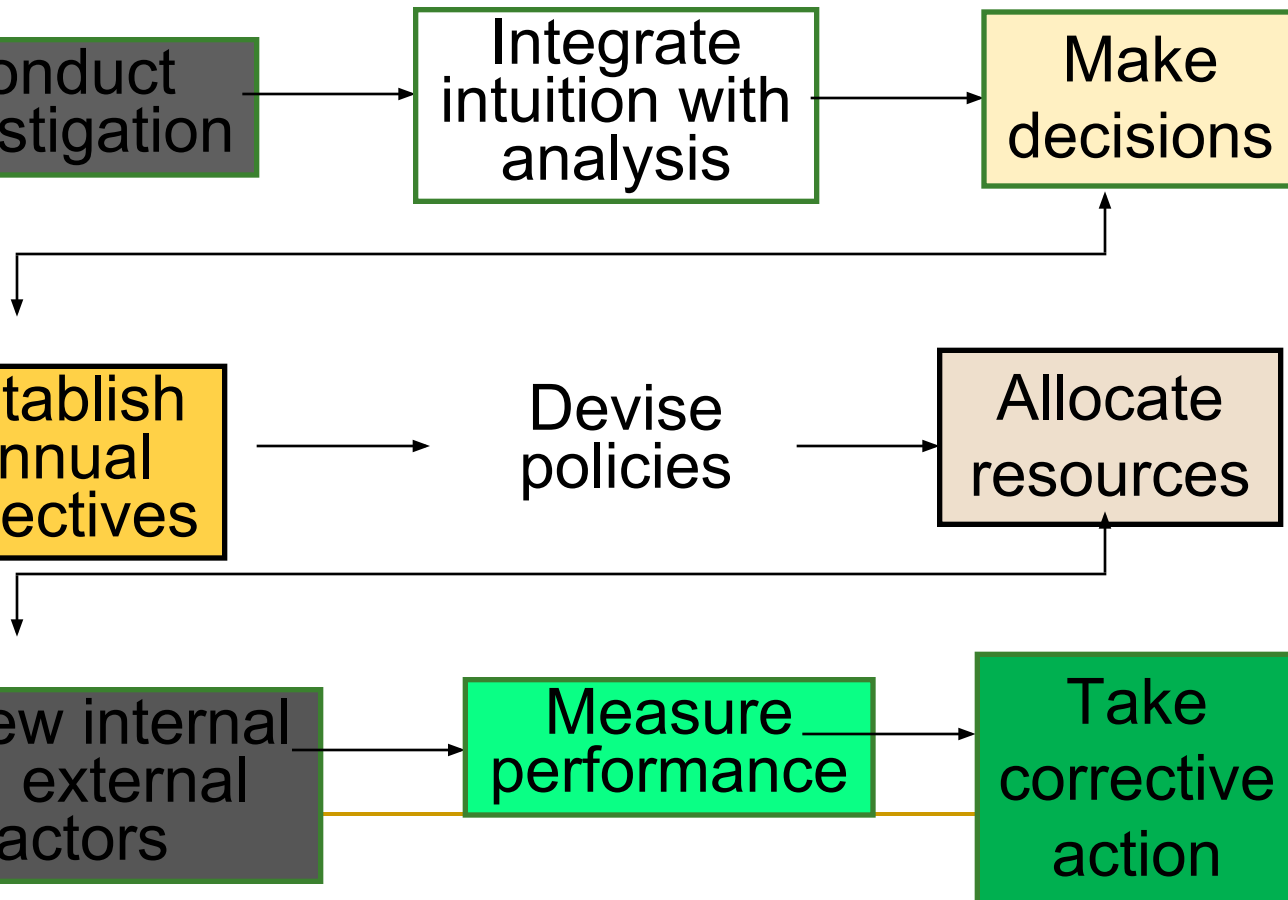
Allocate  
resources

Strategy  
evaluation

Review internal  
and external  
factors

Measure  
performance

Take  
corrective  
action





# Over view of types/levels of strategy

## **Corporate strategy**

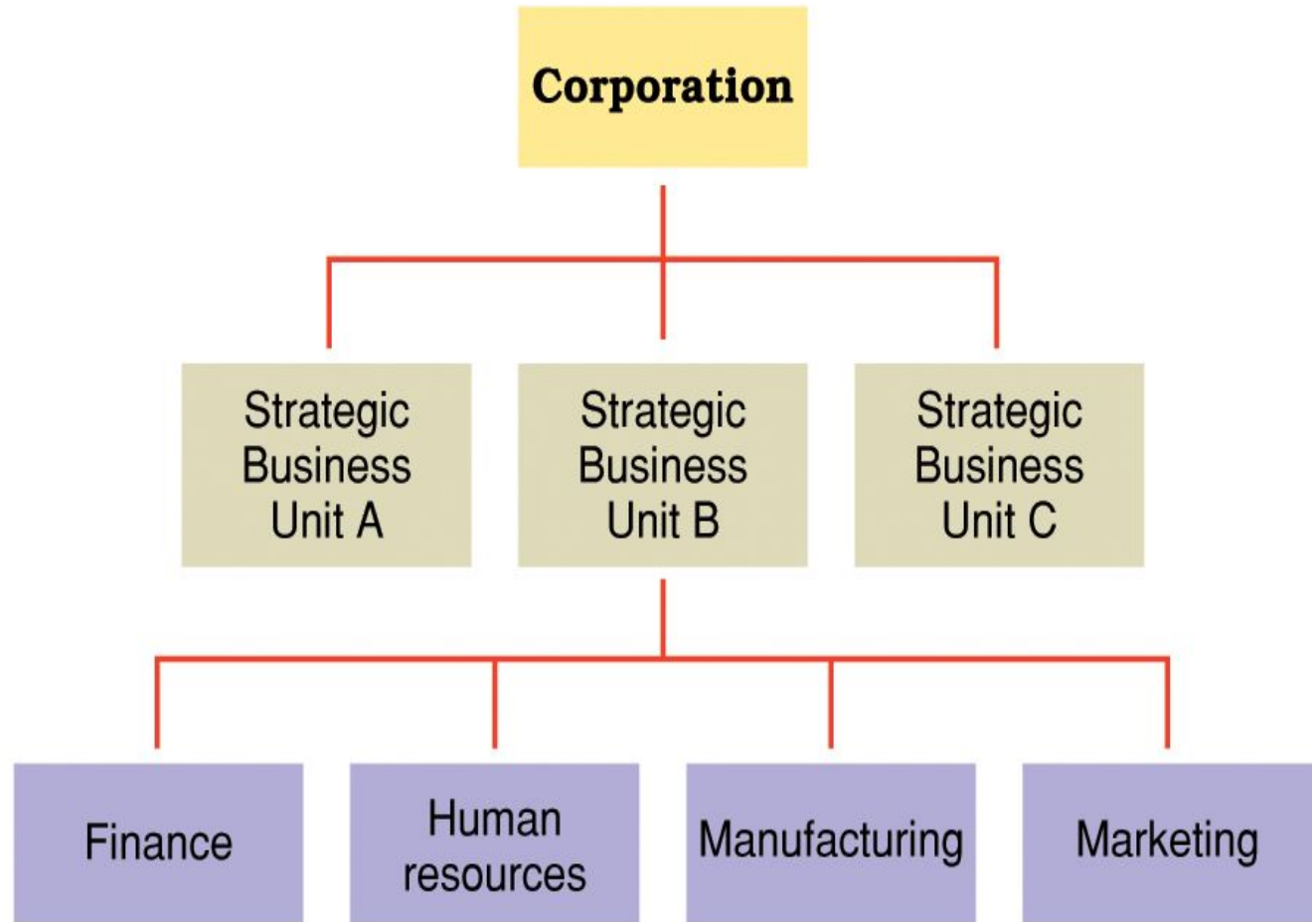
What businesses are we in?

## **Business strategy**

How do we compete in each of our major businesses?

## **Functional strategy**

How do we best support each of our business strategies?



## 1) **Corporate level strategies**

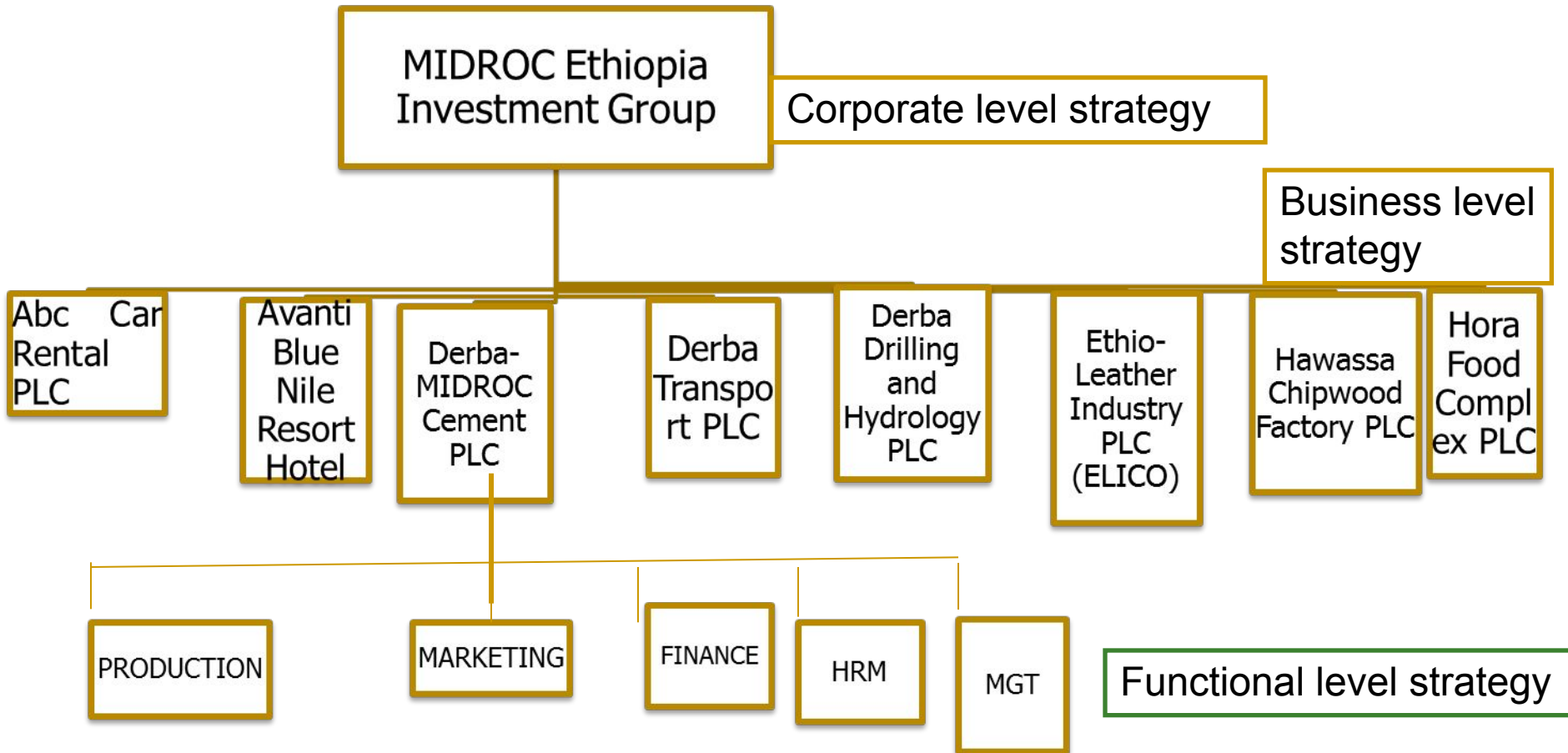
- A corporate level strategy specifies actions a firm takes to gain a competitive advantage by selecting and managing a group of **different businesses competing in different product markets.**

## 2) **Business Level Strategies**

- A business-level strategy is an integrated and coordinated set of commitments and actions the firm uses to gain a competitive advantage by exploiting core competencies in **specific product markets**

## 3) **Functional Level Strategies**

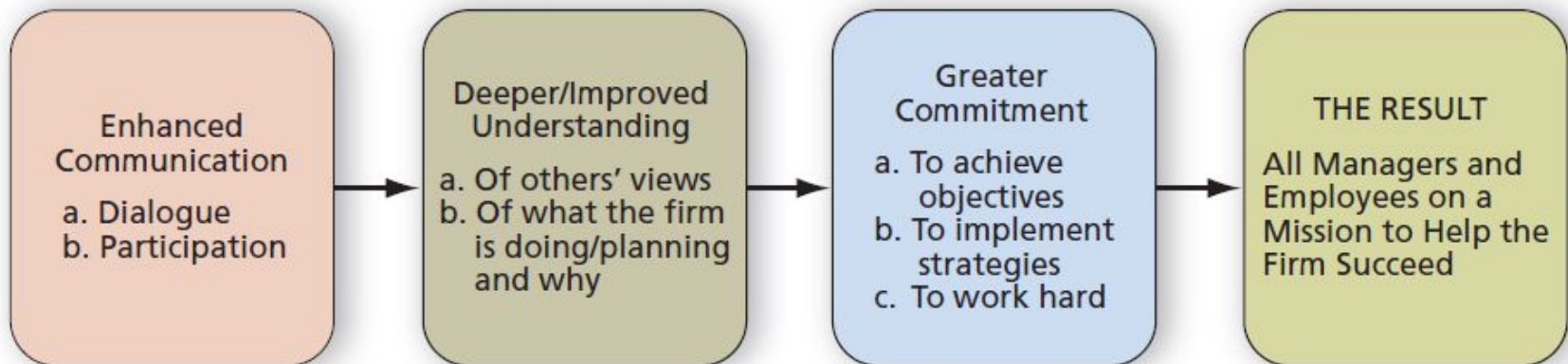
- This is the approach taken by a functional area to achieve corporate and business unit objectives and strategies
- They are strategies, which are designed by different functions of a company; Finance, Accounting, Research and Development, Personnel, Marketing and Production



# Benefits to a Firm That Does Strategic Planning

**FIGURE 1-2**

## **Benefits to a Firm That Does Strategic Planning**



# Benefits of Strategic Management

## Financial Benefits

- Improvement in sales
- Improvement in profitability
- Productivity improvement



---

# Benefits of Strategic Management

## Non-Financial Benefits

- Improved understanding of competitors strategies
  - Enhanced awareness of threats
  - Reduced resistance to change
  - Enhanced problem-prevention capabilities
-

---

# **Benefits of Strategic Management (Greenley)**

- 1. Identification of Opportunities**
  - 2. Objective view of management problems**
  - 3. Improved coordination & control**
  - 4. Minimizes adverse conditions & changes**
  - 5. Decisions that better support objectives**
-

## **Benefits of Strategic Management (Greenley – cont'd)**

- 6. Effective allocation of time & resources**
- 7. Internal communication among personnel**
- 8. Integration of individual behaviors**
- 9. Clarify individual responsibilities**
- 10. Encourage forward thinking**
- 11. Encourages favorable attitude toward change**
- 12. Provides discipline and formality to the management of the business**



# Why Some Firms Do No Strategic Planning

- ❑ Poor reward structures
- ❑ Fire-fighting
- ❑ Waste of time
- ❑ Too expensive
- ❑ Laziness
- ❑ Content with success

# Why Some Firms Do No Strategic Planning

- ❑ Fear of failure
- ❑ Overconfidence
- ❑ Prior bad experience
- ❑ Self-interest
- ❑ Fear of the unknown
- ❑ Suspicion

---

*/ END /*

---