**Session 01 BUSA 7800 - Strategic Management Chapter 01**

Learning Outcomes

At the end of this session you should be able to:

1. Define strategy, strategic management, and competitive advantage.
2. Relate the roles of corporate governance and stakeholder management to strategy.
3. Describe the relationship between strategy and opportunity cost.
4. Relate the concept of opportunity cost to economic profit.
5. Explain the three principal and interrelated activities of the strategic management process.
6. Describe how the hierarchy of strategic goals can help organizations achieve coherence in their strategic direction.

**Chapter 01 - Strategic Management: An Overview**

**I. Introduction to Strategy**

* 1. **Strategy - Definition**

What is strategy?

* 1. *Webster's Dictionary - a careful plan or method for achieving a particular goal usually over a long period of time.*

How does having a clear strategy help managers and employees in the organization?

* 1. **Strategy and Trade-offs**

Why is strategy all about making choices?

"Strategy is making trade-offs in competing. The essence of strategy is choosing what *not* to do. Without trade-offs, there would be no need for choice and thus no need for strategy." (Michael Porter 1996)

What are the choices in corporate strategy?

What are the choices in business (competitive) strategy?

What is the opportunity cost of any action?

**C. Strategy - Sustainable Competitive Advantage and Economic Profits**

How do we judge a firm's strategies?

What is a competitive advantage?

Who decides if a firm's offerings are superior?

What makes a competitive advantage sustainable?

* + *The advantage must be unique, valuable and difficult to copy or substitute*

Why is it so difficult for firms to have a sustainable competitive advantage?

What is your only option left to stay ahead of rivals?

Why do so many firms copy each other's strategies?

How does an economic profit compare to an accounting profit?

What are implicit costs?

How do we compare a $5 million accounting profit to a $5 million economic profit?

What can we predict will happen when firms in a competitive industry produce an economic profit?

What can we predict will happen when firms in a competitive industry produce zero economic profit?

What can we predict will happen when firms in a competitive industry produce an economic loss?

**D. Strategy in Practice**

Why is intended strategy and realized strategy usually not the same?

**II. The Role of Corporate Governance and Stakeholder Management**  
A firm's strategy impacts many players in the environment. Wise managers know that they need the cooperation of various internal and external groups to implement a successful strategy.

1. **Corporate Governance**

Who are the three groups that determine the direction and performance of the corporation?

How do we define corporate governance?

What is the original purpose of a corporation having a board of directors?

What problems can occur when top managers focus solely on the interests of shareholders?

Who are the stakeholders?

What are some examples of stakeholders?

**B. Alternative Perspectives of Stakeholder Management**

What is the idea behind zero sum thinking when it comes to stakeholder management?

How does the stakeholder symbiosis concept work?

**III. What is Strategic Management?**

**A. Defining Strategic Management**

How do we define strategic management?

What are the three ongoing processes of strategic management?

* + *Analysis, decisions and actions*

What is analyzed in the strategic management process?

What questions are covered in the area of strategic decisions?

* + *What industries should we compete in?*
  + *How should we compete in these industries?*

What actions must be taken in strategic management?

**B. The Four Key Attributes of Strategic Management**

The four key attributes of strategic management:

* 1. Directs the organization toward overall goals and objectives.
  2. Includes multiple stakeholders in decision making.
  3. Incorporates both short-term and long-term perspectives.
  4. Recognizes trade-offs between effectiveness and efficiency.

**IV. Setting Strategic Direction**

What is the benefit of the employees and managers of a firm putting together common goals?

**A. Values**

How are values defined?

* 1. *Oxford dictionary definition*

How do we know what a person's values are?

What are several purposes of an organization having shared values?

*1. Guide Managers’ Decisions and Actions*

*2. Shape Employee Behaviour*

*3. Influence Marketing Efforts*

*4. Build Team Spirit*

**B. Organizational Vision**

What is described in an organization's vision?

Why do firms have a vision statement?

**C. Mission Statements**

What does a mission statement focus on?

What's the difference between a vision and a mission?

Why do few mission statements identify profit as the sole purpose of the firm?

**D. Strategic Objectives**

What is the role of strategic objectives?

What is meant by objectives being S.M.A.R.T. objectives?

* + *Specific, Measureable, Appropriate, Realistic and Timely* 
    - ***S****pecific*
    - ***M****easureable*
    - ***A****ppropriate*
    - ***R****ealistic*
    - ***T****ime bound*

**Next Session:**

Chapter 2: Analyzing the External Environment