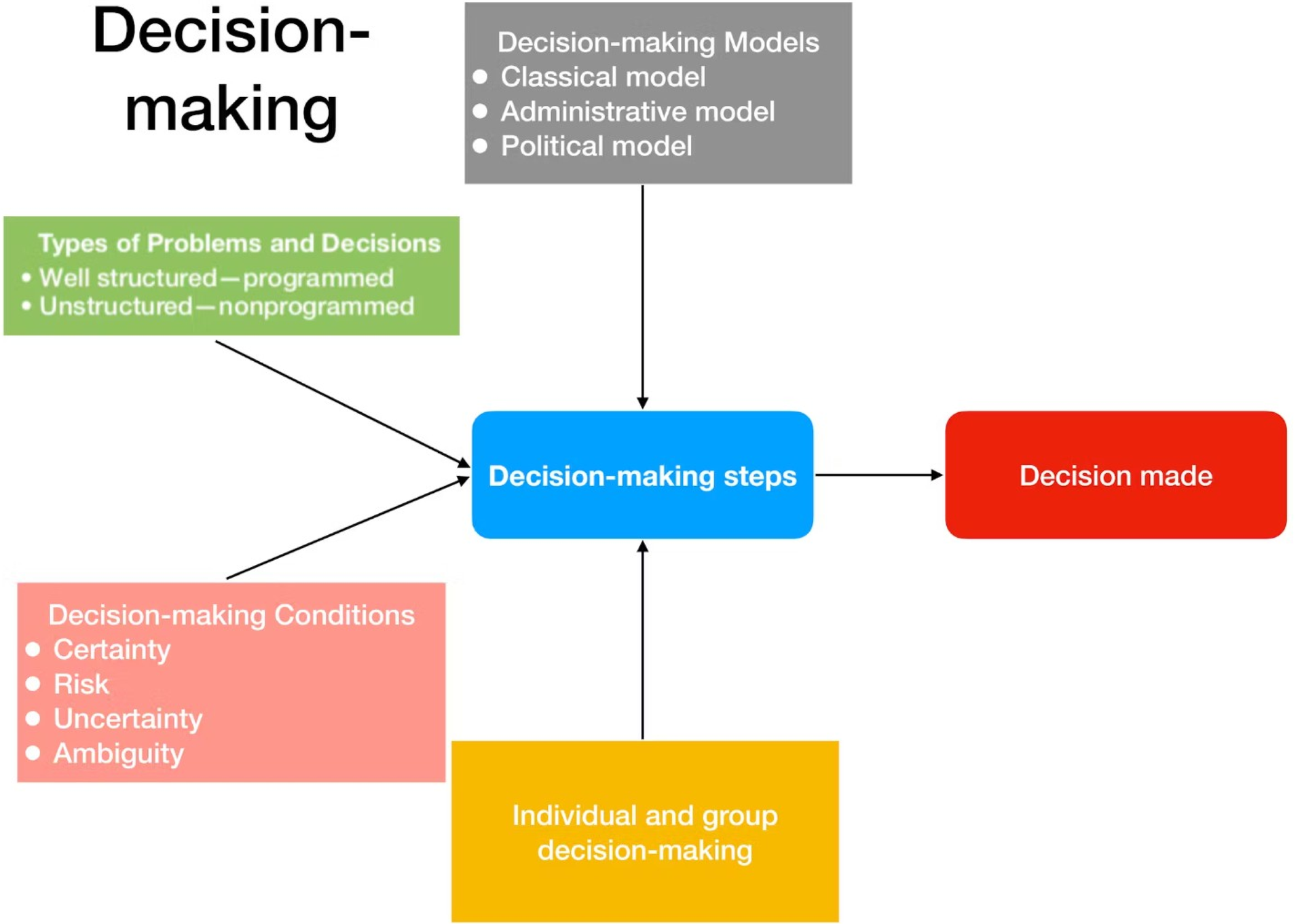
Exhibit 5.1 Levels of Goals and Plans

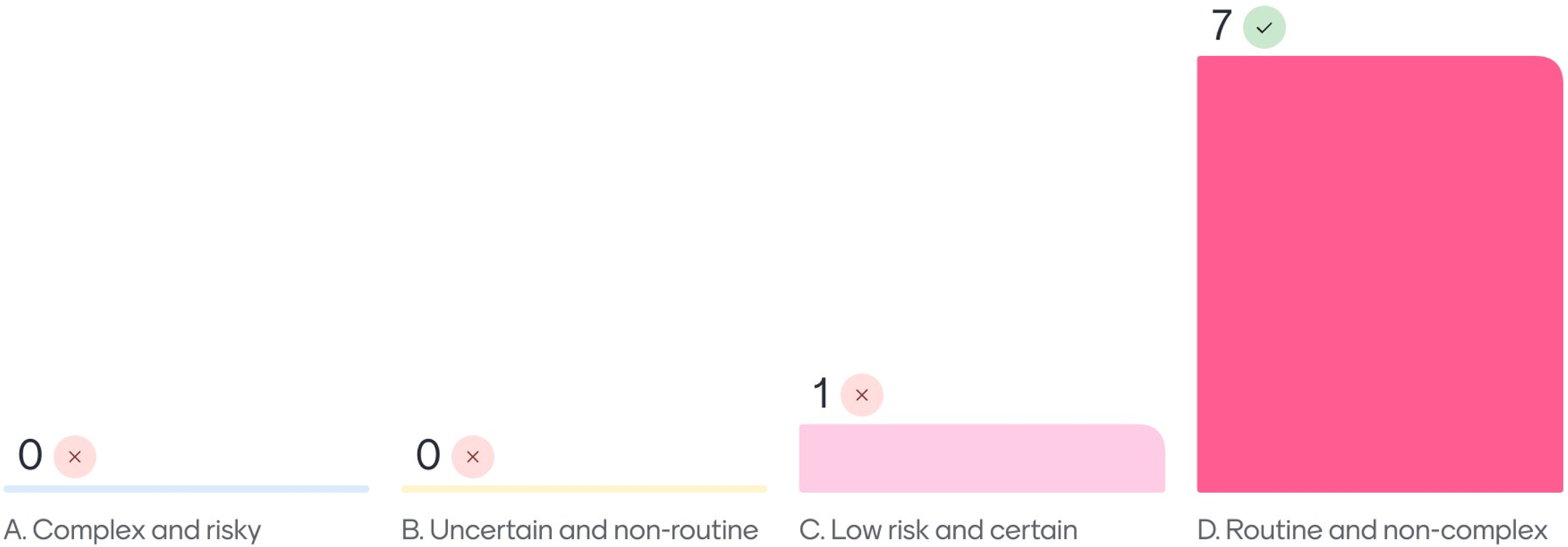
Planning for different time frames

	Strategic Plans	Tactical Plans	Operational Plans
Time Horizon	Typically 3–5 years	Often focused on 1–2 years in the future	Usually focused on the next 12 months or less
Scope	Broadest; the original plans with a view of the entire organization	Normally focused on a strategic business unit	Most narrow; usually centered on departments or smaller units of the organization
Complexity	The most complex and general because of the different industries and business potentially covered	Complex but more specific, with a more limited domain of application	The least complex, because they usually focus on small, homogenous units
Impact	Have the potential to have a dramatic impact, both positively and negatively, on the survival and success of the organization	Affect specific business units, but the effect on the entire organization is measured	Impact is usually restricted to a specific department or organization unit
Interdependence	High interdependence; must take into account the resources and capabilities of the entire organization and its external environments	Moderate interdependence; must take into account the resources and capabilities of several units within a business	Low interdependence; the plans may be linked to higher-level tactical and strategic plans but are less interdependent on these plans

Decision-making

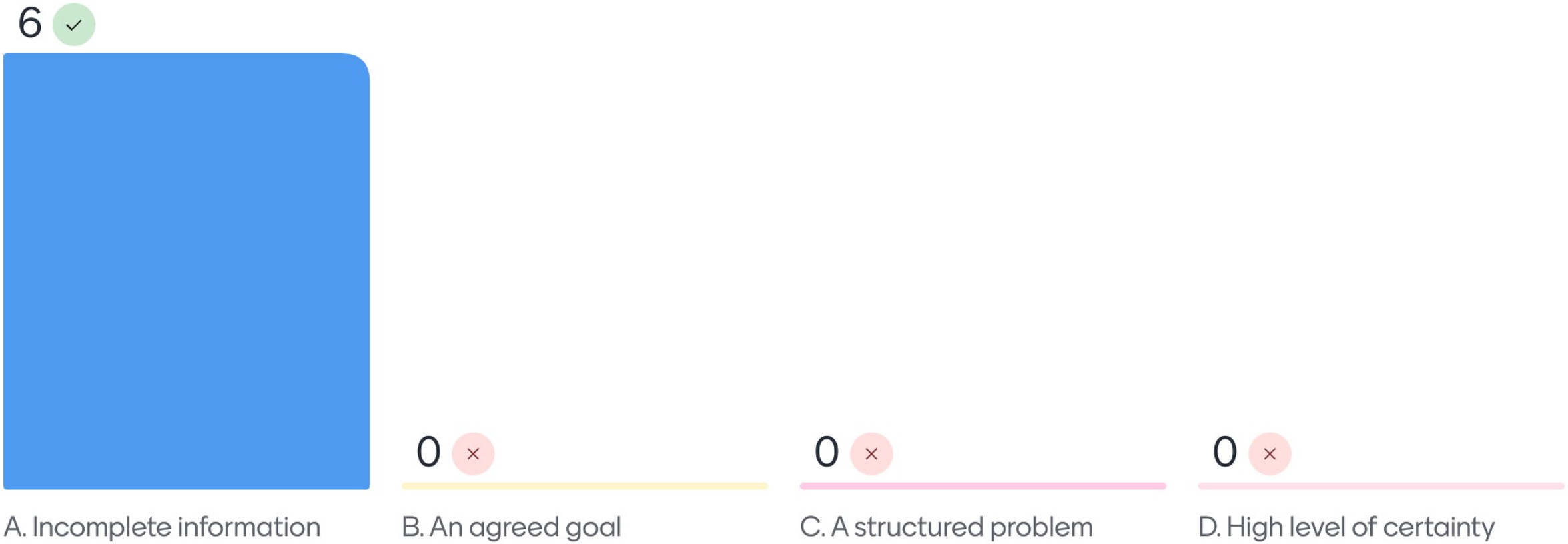


What are characteristics of a programmed decision?



8

What is NOT an assumption underpinning the rational decision making model?



6

Quiz

- Daniel has started a small shoe manufacturing company. He has a tight budget, and does not want the best equipment at the moment, so he is using equipment that is good enough to work with. In this scenario, Daniel is _____.

A. maximising

B. discounting

C. specialising

D. satisficing

4

S7. Organisational Strategy

Dr. Yuankun Luo

SUSTech Southern University of Science and Technology

南方科技大学 | 信息系统与管理工程系
DEPARTMENT OF INFORMATION SYSTEMS AND MANAGEMENT ENGINEERING

Outline

- **Basic concepts of strategy**
- Types of organisational strategies
- Process of strategy-making

What is strategy?

Origin of strategy

Management Ideas and Practices throughout History

Time	Individual or Group	Planning	Organizing	Leading	Controlling	Contributions to Management Thought and Practice
5000 BCE	Sumerians				√	Written record keeping
4000 BCE to 2000 BCE	Egyptians	√	√		√	Planning, organizing, and controlling to build the pyramids; submitting requests in writing; making decisions after consulting staff for advice
1800 BCE	Hammurabi				√	Controls and using witnesses in legal cases
600 BCE	Nebuchadnezzar		√	√		Wage incentives and production control
500 BCE	Sun Tzu	√		√		Strategy and identifying and attacking opponents' weaknesses
400 BCE	Xenophon	√	√	√	√	Management as separate art
400 BCE	Cyrus		√	√	√	Human relations and motion study
175	Cato		√			Job descriptions
284	Diocletian		√			Delegation of authority
900	al-Farabi			√		Leadership traits
1100	Ghazali			√		Managerial traits
1418	Barbarigo		√			Different organizational forms/structures
1436	Venetians				√	Numbering, standardization, and interchangeability of parts
1500	Sir Thomas More			√		Critique of poor management and leadership
1525	Machiavelli		√	√		Cohesiveness, power, and leadership in organizations

Source: C. S. George, Jr., *The History of Management Thought* (Englewood Cliffs, NJ: Prentice Hall, 1972).

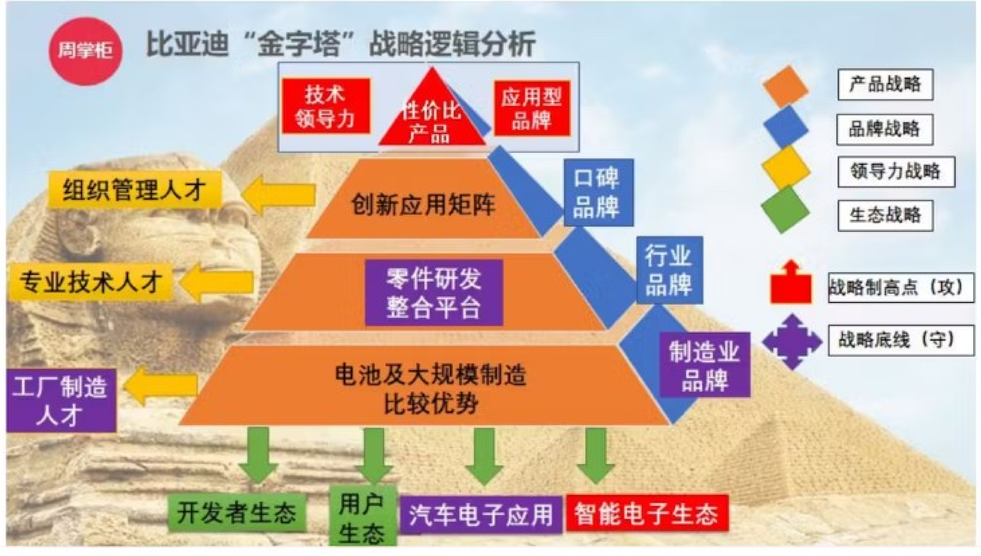
"The Art of War"

Exhibit 5.1 Levels of Goals and Plans

Strategic Planning —the BYD case

BYD’s development

- Founded in 1995 as a mobile phone battery maker
- Started car manufacturing in 2003 (private vehicle & public transportation)
- Strong electronics manufacturing capabilities



During the pandemic: contingency planning

- Shortage of face masks
- BYD opened the largest face mask plant in Shenzhen
- BYD launched self-developed mask-producing machines

- **Strategy** is the plan of action that describes resource allocation and activities for dealing with the environment, achieving a competitive advantage, and attaining the organisation's goals.

- Resources: the assets, capabilities, processes, employee time, information, and knowledge that an organisation controls.

- Competitive advantage: what sets the organisation apart from others and provides it with a distinctive edge for meeting customer needs in the market- place.

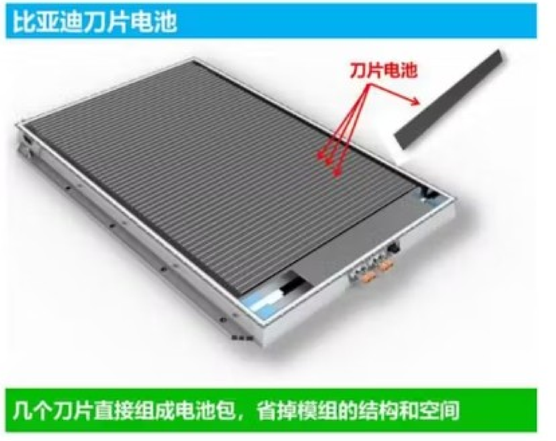
- Sustainable competitive advantage: a competitive advantage that other companies have tried unsuccessfully to duplicate and have, for the moment, stopped trying to duplicate

The essence of formulating strategy is choosing how the organisation will be different.

Resource conditions for achieving a sustainable competitive advantage

- **Valuable** resources — allow companies to improve their efficiency and effectiveness
- **Rare** resources — resources that are not controlled or possessed by many competing firms
- **Imperfectly imitable** resources — resources that are impossible or extremely costly or difficult to duplicate
- **Non-substitutable** resources — no other resources can replace them and produce similar value or competitive advantage

Think about BYD…



- **Valuable** resources:
- **Rare** resources:
- **Imperfectly imitable** resources:
- **Non-substitutable** resources:

Effective strategy

- What business/industry are we in?
- How should we compete in this industry?
- Who are our competitors, and how should we respond to them?

Outline

- Basic concepts of strategy
- **Types of organisational strategies**
- Process of strategy-making

Types of Organizational Strategies

Corporate strategy

- A corporate strategy is one that determines what businesses a company is in or wants to be in, and what it wants to do with those businesses.

- **3 types** of corporate strategy:

  - Growth — an organisation expands the number of markets served or products offered, either through its current business(es) or through new business(es).

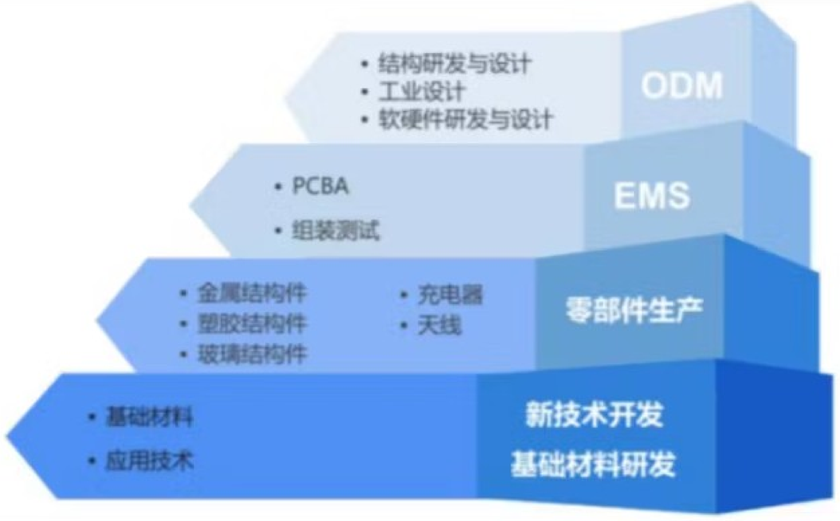
  - Stability — an organisation continues to do what it is currently doing

  - Renewal — an organisation is in trouble, something needs to be done to address declining performance

Growth strategy

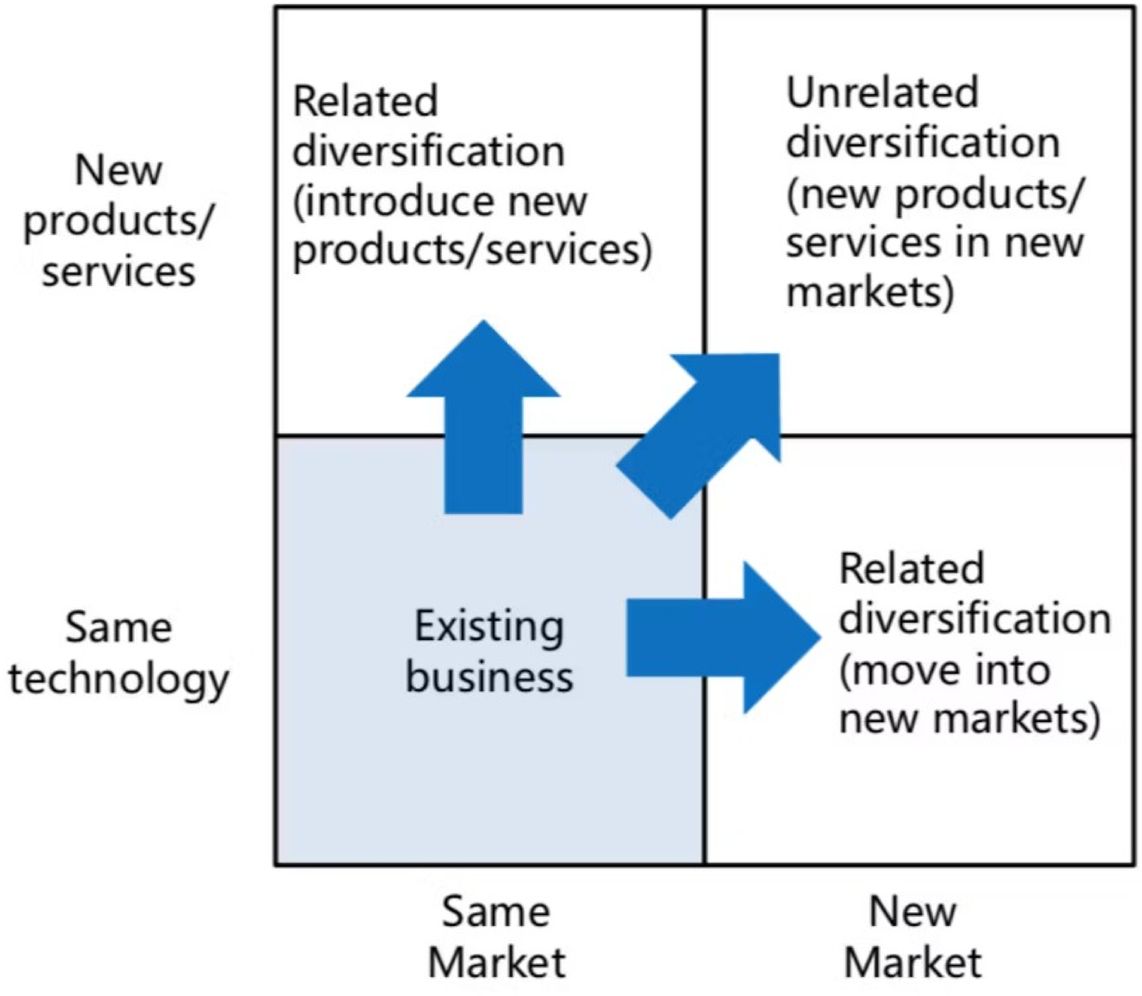
- Concentration
- Vertical integration
- Horizontal integration — Merger & Acquisitions
- Diversification — Portfolio strategy

图 40、全产业链垂直整合



资料来源：公司资料，兴业证券研究所

Types of Diversification



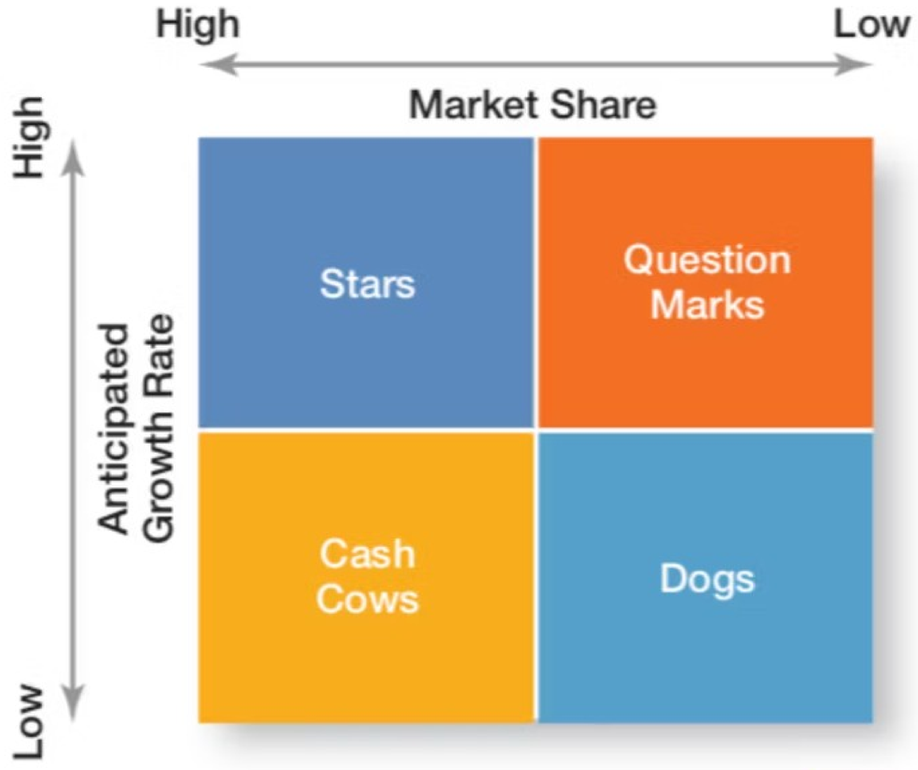
Renewal strategy

- Retrenchment strategy — short-run, for minor performance problems
- Turnaround strategy — more serious problems, more drastic action needed
- For both renewal strategies, managers should:

1. Cut costs
2. Restructure organisational operations

Managing corporate strategy

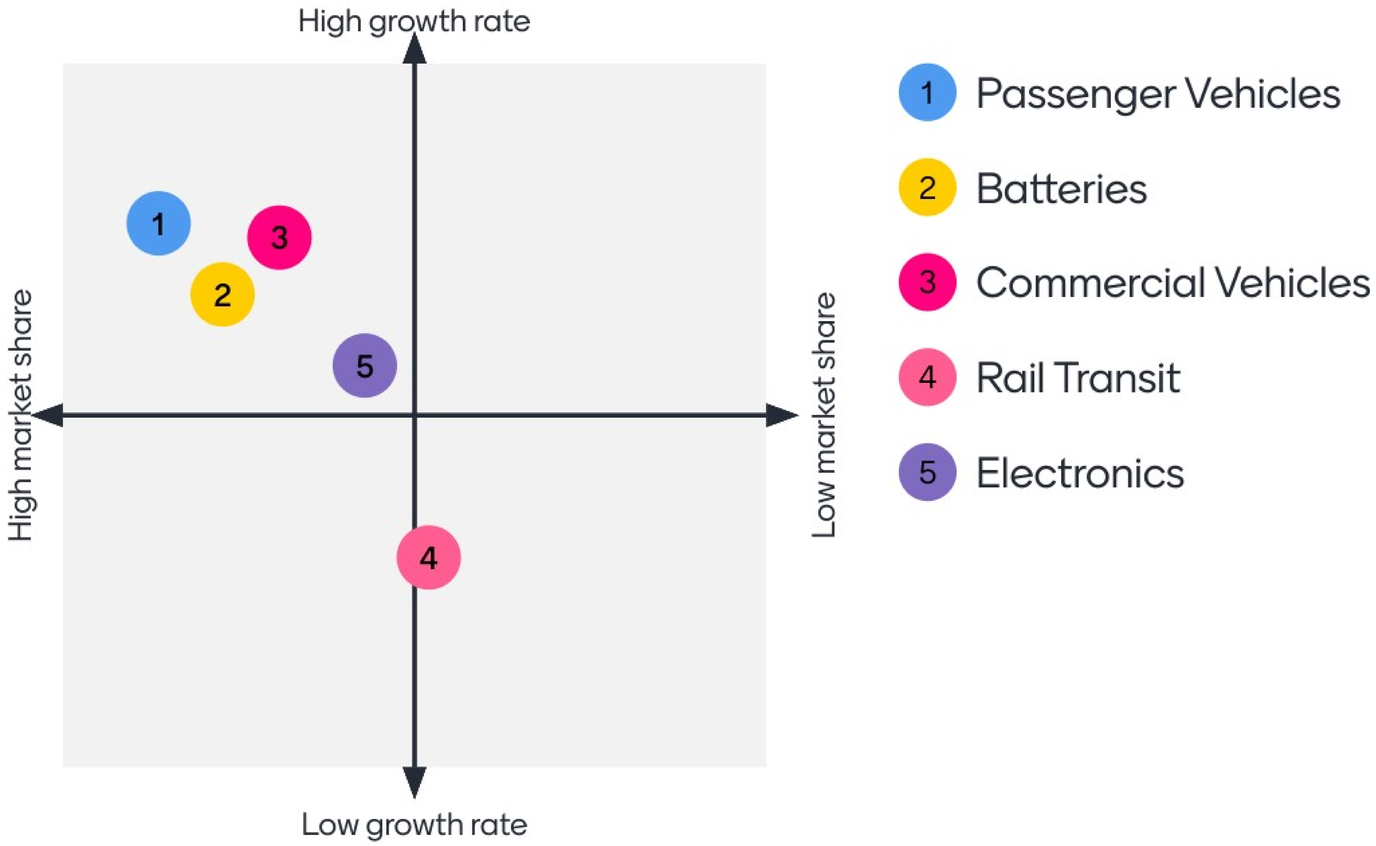
- BCG matrix— developed by the Boston Consulting Group and introduced the idea that an organisation's various businesses could be evaluated and plotted using a 2 * 2 matrix



The BCG Matrix

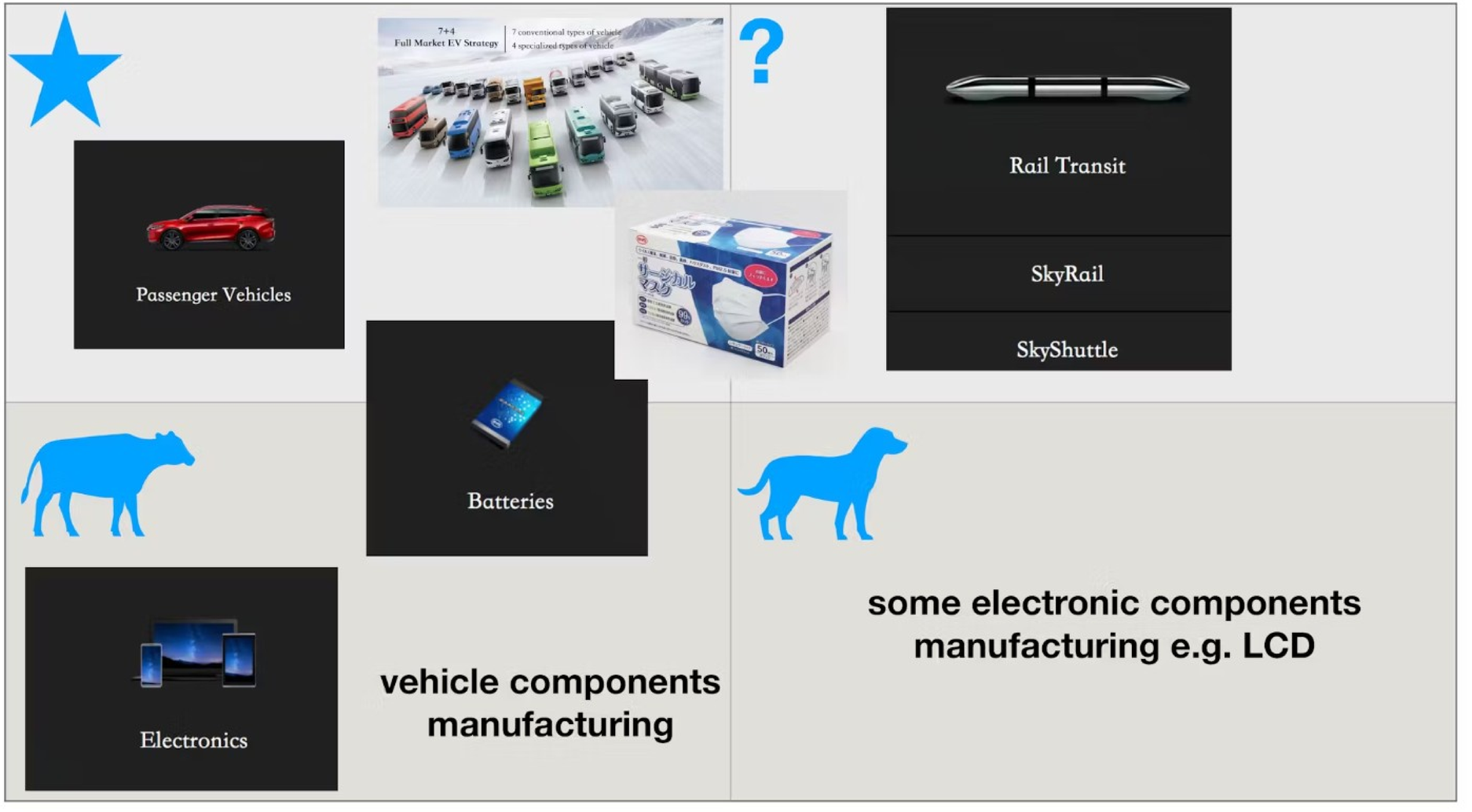
- **Stars**: businesses that have a large share of a fast-growing market.
- **Question marks:** businesses that have a small share of a fast- growing market.
- **Cash cows**: businesses that have a large share of a slow-growing market.
- **Dogs**: companies that have a small share of a declining market.

How about BYD?



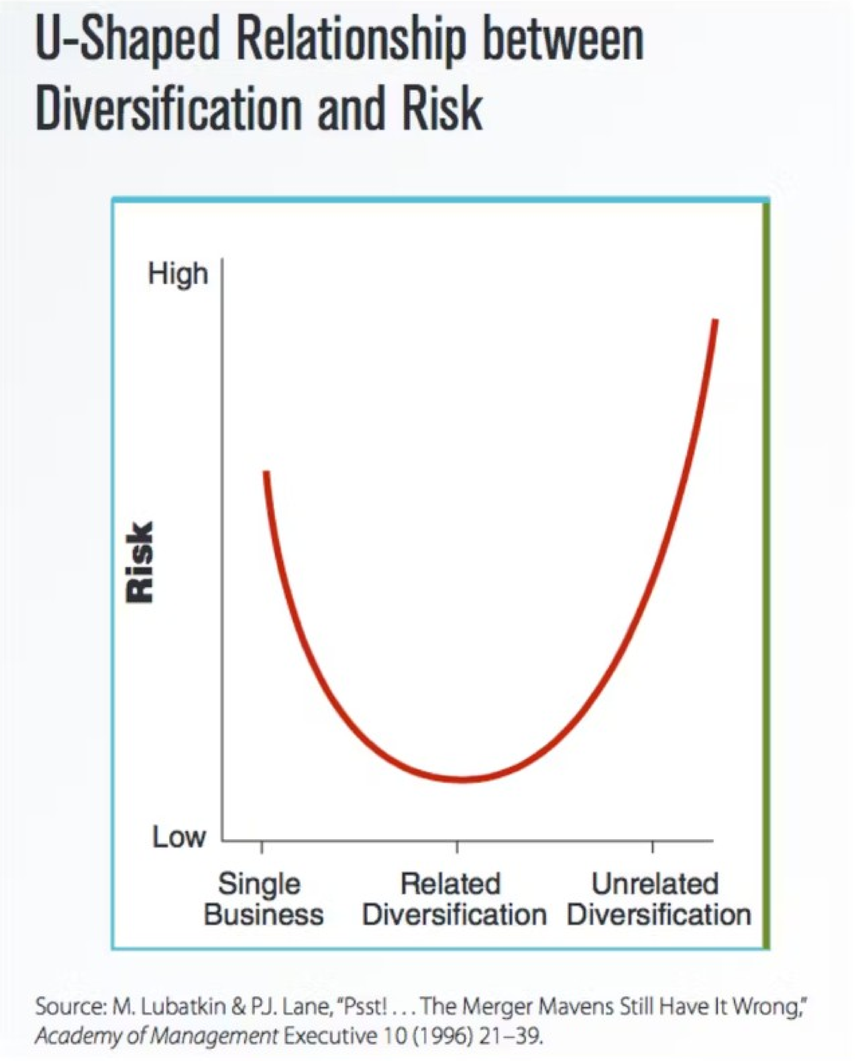
1
9

Think about BYD…



Potential problems of portfolio strategy

- Higher risk in diversifying into unrelated businesses
- Mis-categorisation
- Weaken the cash cow
- Harm employee morale



	Single product	Related diversification	Unrelated diversification
Pros	Simple management and operation	Synergy • Use same resources • Complementarity	Reduced risks • Unrelated businesses rarely sink together
Cons	Reliance on a single business • Disturbance? • Destructive innovation?	Management can become complex • Corporate executives need to manage multiple different businesses	Complexity and risks • Lack of resources to succeed • Executives need to manage very different businesses

Competitive strategy

- A competitive strategy is a strategy for how an organisation will compete in its business(es).
- Strategic Business Units (SBUs) — single businesses that are independent and that have their own competitive strategies in an organisation involved in several different businesses
- Competitive advantage — the distinctive edge of the organisation

Porter's Five Forces Model

Source: Based on M. E. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors.* New York: The Free Press, 1980.

Porter's competitive strategies

Strategy	Organizational Characteristics
Differentiation	Acts in a flexible, loosely knit way, with strong coordination among departments Strong capability in basic research Creative flair, thinks "out of the box" Strong marketing abilities Rewards employee innovation Corporate reputation for quality or technological leadership
Cost Leadership	Strong central authority; tight cost controls Maintains standard operating procedures Easy-to-use manufacturing technologies Highly efficient procurement and distribution systems Close supervision; finite employee empowerment Frequent, detailed control reports
Focus	May use combination of above policies directed at particular strategic target Values and rewards flexibility and customer intimacy Measures cost of providing service and maintaining customer loyalty Pushes empowerment to employees with customer contact

Exercise:
Analyse the competitive forces of BYD's EV business

CLOSING BELL: OVERTIME

SHARE

Tesla's only challenger is Chinese EV giant BYD, says former Tesla board member Steve Westly

Former Tesla board member Steve Westly joins 'Closing Bell: Overtime' to discuss the company's stock and earnings report.

WED, OCT 19 2022 • 4:53 PM EDT

Outline

- Basic concepts of strategy
- Types of organisational strategies
- **Process of strategy-making**

Three Steps of the Strategy-Making Process

Step 1	Step 2	Step 3
Assess Need for Strategic Change	Conduct Situational Analysis	Choose Strategic Alternatives

Step 1: Assessing the Need for Strategic Change

- Not easy to recognise or determine the need for strategic changes because of:

  - **Competitive inertia** — a reluctance to change strategies or competitive practices that have been successful in the past

  - Strategic dissonance — a discrepancy between a company's intended strategy and the strategic actions managers take when implementing that strategy

Recall: The integrated framework of organisational environments

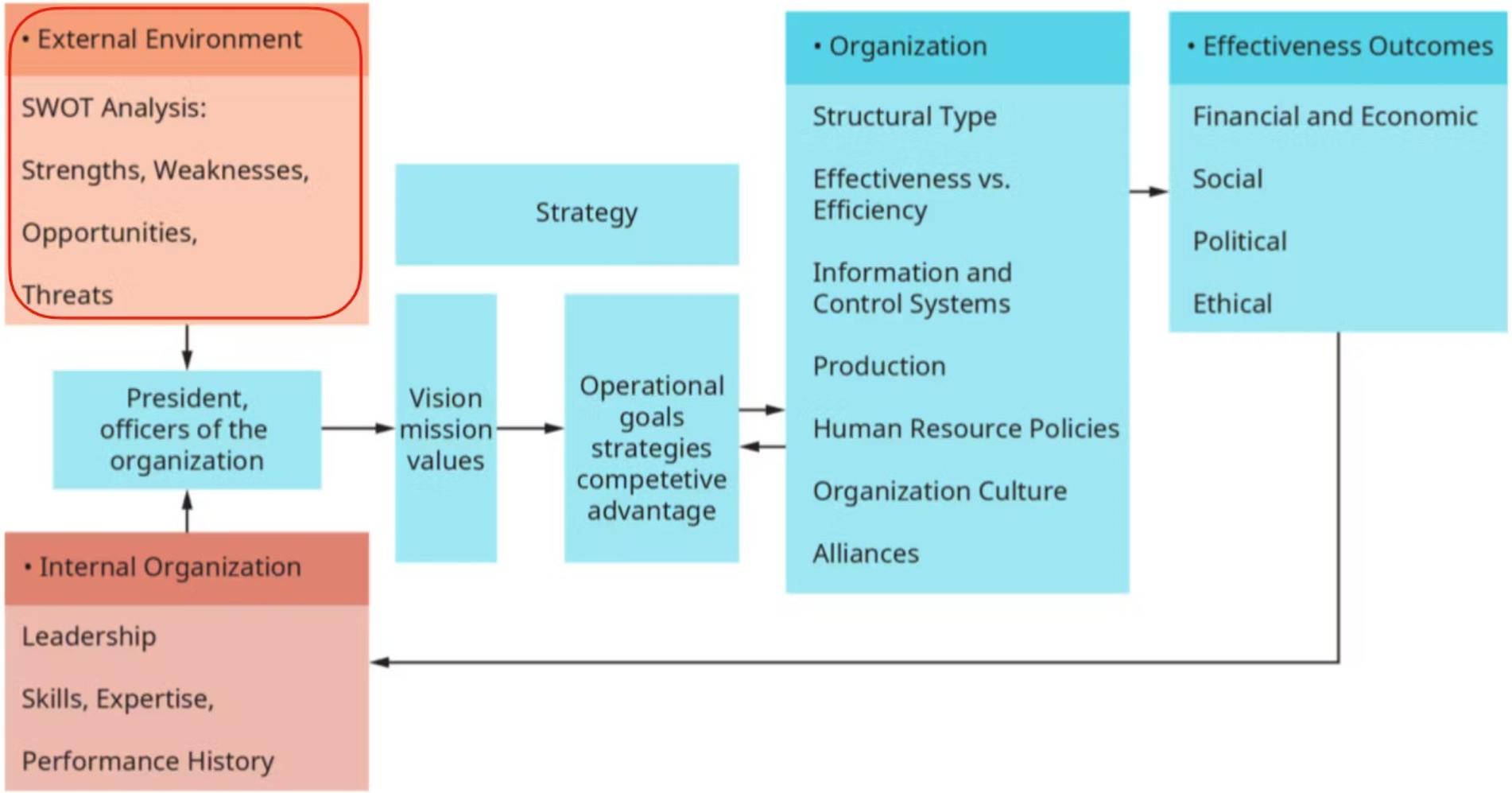
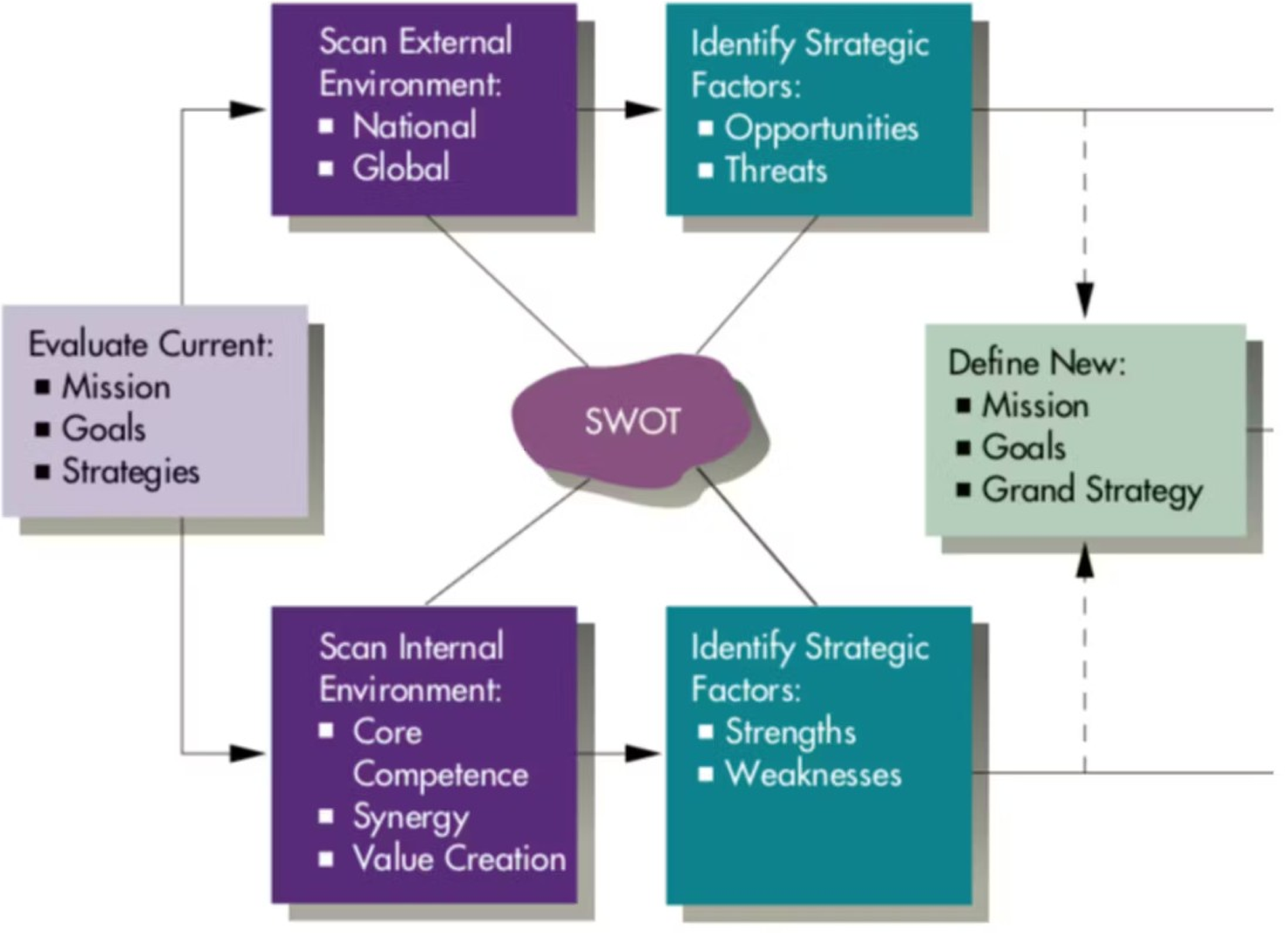


Exhibit 15.18 The Internal Organization and External Environment (Attribution: Copyright Rice University, OpenStax, under CC-BY 4.0 license)

Step 2: Situational Analysis — SWOT

- It is an assessment of the strengths (S) and weaknesses (W) in an organisation's **internal environment** and the opportunities (O) and threats (T) in its **external environment**.

- A SWOT analysis helps a company determine how to increase internal strengths and minimise internal weaknesses while maximising external opportunities and minimising external threats.


Scan External Environment:
National
Global
Identify Strategic Factors:
Opportunities
Threats
Evaluate Current:
Mission
Goals
Strategies
SWOT
Define New:
Mission
Goals
Grand Strategy
Scan Internal Environment:
Core Competence
Synergy
Value Creation
Identify Strategic Factors:
Strengths
Weaknesses

Examples of Strengths and Weaknesses

Management and Organization

Management quality
Staff quality
Degree of centralization
Organization charts
Planning, information, control systems

Marketing

Distribution channels
Market share
Advertising efficiency
Customer satisfaction
Product quality
Service reputation
Sales force turnover

Human Resources

Employee experience, education
Union status
Turnover, absenteeism
Work satisfaction
Grievances

Finance

Profit margin
Debt-equity ratio
Inventory ratio
Return on investment
Credit rating

Production

Plant location
Machinery obsolescence
Purchasing system
Quality control
Productivity/efficiency

Research and Development

Basic applied research
Laboratory capabilities
Research programs
New-product innovations
Technology innovations

Exercise:
Conduct the SWOT analysis of BYD

SWOT of BYD:

BYD's strengths lie in its leadership in the EV sector.

Strength: plenty of resources, technical advantages
Weakness: too big the system to adapt to new challenges
Opportunities: advocating policies to new energy, people's tendency to buy new energy prod

Threat: BYD faces increasing competition from traditional automakers and new EV players, potentially leading to price wars.

Opportunity: Expansion into emerging markets, such as Southeast Asia, Latin America, and Africa, offers less competition and potential for rapid growth.

BYD has strengthe in recharge and batteries technology and they have a big market share.
Threat: Their product are mainly in low and middle market. It's hard for their brand to share the high market.

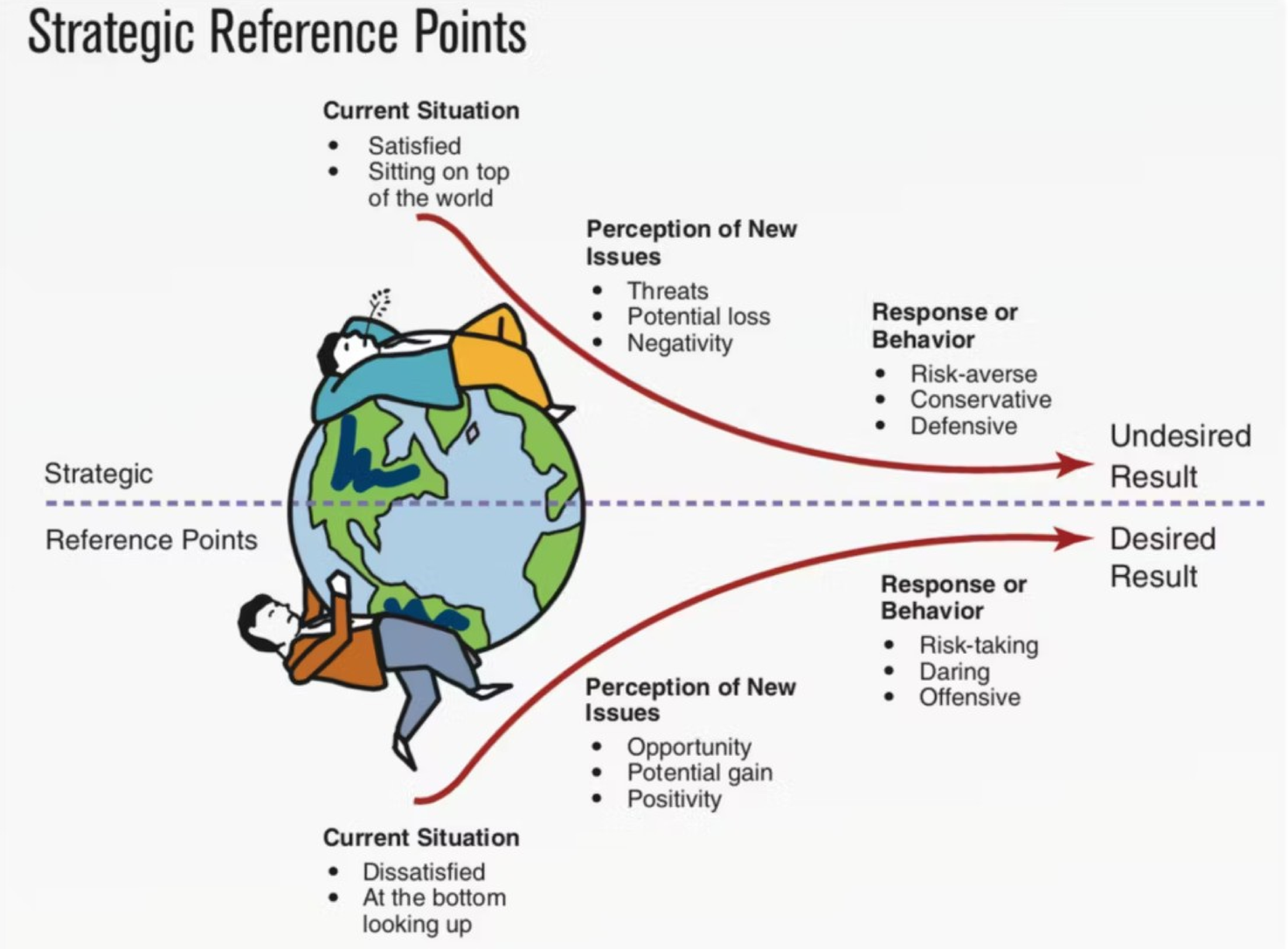
S: technology,innovation W:lack of high-end market and global market O:support of Chinese government of EV
T:competitors like Tesla,Xiaomi

Strengths: BYD's focus on research and development is evident from its investment of approximately RMB 39.9 billion in R&D in 2023.

4

Strengths	Weaknesses
• Strong independent R&D capability • Experienced engineers and workers • Flexible production lines/spaces	• Design of (some) products? • Quality of (some) products? • Marketing channel/strategy
Opportunities	**(Potential) Threats**
• Industrial trend of sustainable development — “carbon neutrality” • Government support • More diversification — e.g. masks, e-cigarette	• More intense competition (domestic & abroad) • Political environment? • International trade barriers?

Step 3: Choosing Strategic Alternatives



Source: A. Fiegenbaum, S. Hart, and D. Schendel, "Strategic Reference Point Theory," *Strategic Management Journal* 17 (1996): 219–235.