

MODULE 12

STRATEGIC MANAGEMENT



“Insights and hard work deliver results”

- What types of strategies are used by organizations?
- How are strategies formulated and implemented in strategic management?

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STRATEGIC MANAGEMENT

Types Of Strategies

MODULE GUIDE 12.1

- Strategy is a comprehensive plan for achieving competitive advantage.
- Organizations use strategy at the corporate, business and functional levels.
- Growth and diversification strategies focus on expansion.
- Restructuring and divestiture strategies focus on consolidation.
- Global strategies focus on international business initiatives.
- E-business strategies focus on using the Internet for business transactions.

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STRATEGIC MANAGEMENT

Types Of Strategies

- **Strategy**
 - a comprehensive plan guiding resource allocation to achieve long-term organization goals.
- **Strategic Intent**
 - focuses organizational energies on achieving a compelling goal.
- **Competitive Advantage**
 - operating in successful ways that are difficult to duplicate

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TYPES OF STRATEGIES

Corporate Strategies

- **Corporate Strategy**
 - Sets long-term direction for the total enterprise
- **Business Strategy**
 - Identifies how a strategic business unit or division will compete in its product or service domain
- **Functional Strategy**
 - Guides activities within one specific area of operations

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TYPES OF STRATEGIES

Corporate Strategies

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?

Corporation

Business Division A

Business Division B

Business Division C

Finance

Human resources

Manufacturing

Marketing

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TYPES OF STRATEGIES

Growth And Diversification Strategies

- **Growth Strategy**
 - Expansion through current operations
- **Concentration**
 - Expansion within an existing business area
- **Diversification**
 - Expansion occurs by entering new business areas
- **Vertical Integration**
 - Expansion by acquiring existing suppliers or distributors

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TYPES OF STRATEGIES

Restructuring and Retrenchment Strategies

- **Retrenchment**
 - Changes operations to correct weaknesses
 - Liquidation
 - An extreme form of retrenchment wherein the business closes and sells off its assets
- **Restructuring**
 - Reduces the scale or mix of operations
- **Downsizing**
 - Decreases the size of operations
- **Divestiture**
 - Sells off part of the organization to focus on core businesses

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TYPES OF STRATEGIES

Global Strategies

- **Globalization Strategy**
 - Adopts standardized products and advertising for use worldwide
- **Multidomestic Strategy**
 - Customizes advertising and products to best fit local needs
- **Transnational Strategy**
 - Seeks efficiencies of global operations with attention to local markets

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TYPES OF STRATEGIES

E-Business Strategies

- **E-Business Strategies**
 - Focus on Using the Internet for Business Transactions
- **B2B Business Strategies**
 - use IT and Web portals to vertically link organizations with members of their supply chains.
- **B2C Business Strategies**
 - use IT and Web portals to vertically link organizations with members of their customers.

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STRATEGIC MANAGEMENT

Strategic Management

MODULE GUIDE 12.2

- Strategy formulation begins with the organization’s mission and objectives.
- SWOT analysis identifies strengths, weaknesses, opportunities, and threats.
- Porter’s five forces model examines industry attractiveness.
- Porter’s competitive strategies model examines business or product strategies.
- Portfolio planning examines strategies across multiple businesses or products.
- Strategic leadership activates organizations for strategy implementation.

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STRATEGIC MANAGEMENT

Strategic Management

- **Strategic management**
 - the process of formulating and implementing strategies.
- **Strategy Formulation**
 - the process of creating strategies
- **Strategy Implementation**
 - the process of putting strategies into action.

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STRATEGIC MANAGEMENT

Strategic Management

Strategy Formulation-
Creating strategies

Strategy Implementation-
Putting strategies into action

Identify and analyze current:

- Mission
- Objectives
- Strategies

Analyze internal and external environments:

- Organizational resources and capabilities (strengths and weaknesses)
- Industry and external environment (opportunities and threats)

Revise mission and objectives, select new strategies:

- Corporate
- Business
- Functional

Implement strategies:

- Corporate governance
- Management systems and practices
- Strategic leadership

Evaluate results:

- Strategic control
- Renew strategic management process

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STRATEGIC MANAGEMENT

Strategy Formulation

- **Mission Statement**
 - The reason for the organizations existence in society
- **Operating Objectives**
 - Specific results that organizations attempt to achieve

Common Operating Objectives of Organizations

- Profitability
- Market share
- High-quality workforce
- Cost efficiency
- Product and service quality
- Innovativeness
- Social responsibility

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STRATEGY FORMULATION

SWOT

- **SWOT Analysis**
 - Identifies Organization's Strengths, Weaknesses, Opportunities, and Threats
- **Core Competency**
 - A special strength that gives an organization a competitive advantage

The diagram illustrates a SWOT Analysis. At the top is a box labeled 'Internal Assessment of the Organization'. Below it are two boxes: 'What are our strengths?' (orange) and 'What are our weaknesses?' (blue). At the bottom is a box labeled 'External Assessment of the Environment'. Above it are two boxes: 'What are our opportunities?' (blue) and 'What are our threats?' (orange). A central yellow box labeled 'SWOT Analysis' is connected to all four surrounding boxes by arrows.

What are our strengths?

- Manufacturing efficiency?
- Skilled workforce?
- Good market share?
- Strong financing?
- Superior reputation?

What are our weaknesses?

- Outdated facilities?
- Inadequate R & D?
- Obsolete technologies?
- Weak management?
- Past planning failures?

What are our opportunities?

- Possible new markets?
- Strong economy?
- Weak market rivals?
- Emerging technologies?
- Growth of existing market?

What are our threats?

- New competitors?
- Shortage of resources?
- Changing market tastes?
- New regulations?
- Substitute products?

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STRATEGY FORMULATION

Porter's Five Forces

The diagram shows 'Porter's Five Forces' in a central box. Five surrounding boxes have arrows pointing towards the center: 'New Entrants' (top), 'Suppliers' (left), 'Customers' (right), 'Substitute Products' (bottom), and 'Industry Competition' (center). Each box contains a brief description of the force.

New Entrants
Threat of potential new competitors

Suppliers
Bargaining power of suppliers

Customers
Bargaining power of buyers

Substitute Products
Threat of substitute products or services

Industry Competition
Rivalry among competing firms

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STRATEGY FORMULATION

Porter's Five Forces

- **Porter's Competitive Strategies**
 - **Differentiation Strategy**
 - Offers products and services that are uniquely different from the competition
 - **Focused Differentiation Strategy**
 - offers a unique product to a special market segment.
 - **Cost Leadership Strategy**
 - Seeks to operate at lower costs than competitors
 - **Focused Cost Leadership Strategy**
 - uses cost leadership and target needs of a special market.

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STRATEGY FORMULATION

Porter's Five Forces

COMPETITIVE ANALYSIS

Market Scope

Broad

Narrow

Cost leadership strategy

Differentiation strategy

Focused low cost strategy

Focused differentiation strategy

Big K Kola

Coke, Pepsi

Red Cherry Pop

A & W Root Beer, YooHoo

Low Price

Unique Product

Source of Competitive Advantage

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STRATEGY FORMULATION

Boston Consulting Group (BCG)

BCG Matrix

Analyzes business opportunities according to growth rate and market share

Market Growth Rate for Products/Services

High

Low

Question Marks

poor position; growing industry

Growth or retrenchment strategy

Stars

dominant position; growing industry

Growth strategy

Dogs

poor position; low-growth industry

Retrenchment strategy

Cash Cows

dominant position; low-growth industry

Stability or modest growth strategy

Low

High

Market Share of Products/Services

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STRATEGIC MANAGEMENT

Strategy Implementation

Strategic Leadership

the capability to inspire people to successfully engage in a process of continuous change, performance enhancement, and implementation of organizational strategies.

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