Most battles are won or lost before they are engaged in; by men who take no part in them; by their strategists.
-- K. von Clausewitz

Know yourself and know the other; Triumph without peril.
Know nature and know the situation; Triumph completely.
Sun Tzu, 300 B.C

WHAT IS STRATEGY?

- Means of establishing organizational purpose
- Definition of the competitive domain
- Response to external opportunities and threats and internal strengths and weaknesses
- Way to define managerial tasks with corporate, business and functional perspectives
- Coherent, unifying and integrative pattern of decisions
- Definition of the economic and non-economic contribution the firm intends to make to stakeholders
- Expression of strategic intent
- Means to develop organizational core competencies to create sustainable competitive advantage
STRATEGIC MANAGEMENT: INTRODUCTION

NOTES

STRATEGIC MANAGEMENT

Study of the functions and responsibilities of general managers; of problems that affect the success of the total enterprise and the decisions that determine the direction of the organization and shape its future.

EVOLUTION OF STRATEGIC MANAGEMENT

Importance -- Strategic Management

Chance favors the prepared mind -- Louis Pasteur

- Develop “theme” for organization
- Provide discipline for long-term thinking
- Deal with environmental complexity
- More effective resource allocation
- Integrate diverse administrative activities
- Increase managerial effectiveness
- Improve employee motivation
- Address stakeholder concerns
STAGES OF CORPORATE DEVELOPMENT

Stage I
- Single product
- No formal organization structure
- Local or regional market

Stage II
- Related line of products
- Functional specialization
- Larger, more diverse market

Stage III
- Expanded line of related/unrelated products
- Larger, more diverse (sometimes international) market
- Divisional structure

CORPORATE AND BUSINESS STRATEGY

INDUSTRY ATTRACTIVENESS
Which industries should we be in?

RATE OF PROFIT ABOVE THE COMPETITIVE LEVEL
How do we make money?

COMPETITIVE ADVANTAGE
How should we compete?

BUSINESS STRATEGY

CORPORATE STRATEGY

LEVELS OF STRATEGY

- Corporate
  - What business(es) should we be in?
- Business/Competitive
  - How should we compete in a given industry?
- Functional
  - How can business level strategy be effectively implemented?
  - How can value be created?
STRATEGIC MANAGEMENT: INTRODUCTION

NOTES

DELIBERATE AND EMERGENT STRATEGY

Intended Strategy  →  Deliberate Strategy  →  Realized Strategy

Unrealized Strategy  ←  Emergent Strategy

STRATEGIC MANAGEMENT SKILLS

- Identify core problems and issues
- Examine issues from a generalists’ perspective
- Deal/cope with partial information
- Deal with contradictory information
- Develop logical reasoning chains
- Using intuition to reach defensible interpretations
STRATEGIC MANAGEMENT: INTRODUCTION

STRATEGIC INTENT/VISION, MISSION AND STRATEGIC OBJECTIVES

Intent/Vision
Winning competitive battles through deciding how to leverage internal resources, capabilities, and core competencies.

Mission
An application of strategic Intent/vision in terms of products to be offered and markets to be served.

Objectives
Used to operationalize the mission statement
- Measurable
- Specific
- Appropriate
- Realistic
- Timely

MISSION STATEMENT - PURPOSE

- Organizational vision -- what it aspires to be
- What distinguishes a given organization
- Framework for evaluating current and future activity
- Shared organization purpose; establish organizational culture
- Portray organizational priorities
- Motivate employees
- Establish basis for allocating resources

STAKEHOLDERS

The firm must maintain performance at an adequate level in order to maintain the participation of key stakeholders

- Capital Market
  - Stock market
  - Investors
  - Debt suppliers/Banks

- Product Market
  - Primary Customers
  - Suppliers

- Organizational
  - Employees
  - Managers
  - Non-Managers
STAKEHOLDER INVOLVEMENT

Each of the key stakeholders involved wants a piece of the same pie

1. How do you divide the pie in order to keep all of the stakeholders involved?

2. How do you increase the size of the pie so that there is more to go around?

STAKEHOLDER ANALYSIS

Who are the stakeholders?

- Interests and concerns
- Claims they are likely to make
- Key stakeholders
- Resultant strategic challenges

I/O MODEL OF SUPERIOR RETURNS

The Industrial Organization Model suggests that above-average returns for any firm are largely determined by characteristics outside the firm.

The I/O model largely focuses on industry structure or attractiveness of the external environment rather than internal characteristics of the firm.
**I/O MODEL OF SUPERIOR RETURNS**

**External Environment**
- General Environment
- Industry / Competitive Environment

Action required: Study the external environment, especially the industry environment.

**I/O MODEL OF SUPERIOR RETURNS**

**External Environment**
- General Environment
- Industry / Competitive Environment

An Attractive Industry
- An industry whose structural characteristics suggest above-average returns are possible

Action required: Locate an industry with high potential for above-average returns.

**I/O MODEL OF SUPERIOR RETURNS**

**External Environment**
- General Environment
- Industry / Competitive Environment

Attractive Industry
- An industry whose structural characteristics suggest above-average returns

Action required: Identify strategy called for by the industry to earn above-average returns.
External Environment
- General Environment
- Industry / Competitive Environment

Attractive Industry
- An industry whose structural characteristics suggest above-average returns are possible

Strategy Formulation
- Selection of a strategy linked with above-average returns in a particular industry

Assets and Skills
- Assets and skills required to implement a chosen strategy

Action required:
- Develop or acquire assets and skills needed to implement the strategy.

I/O Model of Superior Returns

External Environment
- General Environment
- Industry / Competitive Environment

Attractive Industry
- An industry whose structural characteristics suggest above-average returns are possible

Strategy Formulation
- Selection of a strategy linked with above-average returns in a particular industry

Assets and Skills
- Assets and skills required to implement a chosen strategy

Strategy Implementation
- Strategic actions linked with effective implementation of the chosen strategy

Superior Returns
- Earning of above-average returns

Action required:
- Use the firm’s strengths (its assets or skills) to implement the strategy.

Action required:
- Maintain selected strategy in order to outperform industry rivals.

Notes
The Resource-Based Model suggests that above-average returns for any firm are largely determined by characteristics inside the firm.

The Resource-Based view focuses on developing or obtaining valuable resources and capabilities which are difficult or impossible for rivals to imitate.

**Resources**
Inputs to a firm’s production process.

**Capability**
Capacity for an integrated set of resources to perform a task or activity.

**Action required:**
- Identify firm resources.
- Study strengths and weaknesses relative to rivals.

**Action required:**
- Determine what firm capabilities allow it to do better than rivals.
STRATEGIC MANAGEMENT: INTRODUCTION

**Resources**
Inputs to a firm's production process.

**Capability**
Capacity for an integrated set of resources to integratively perform a task or activity.

**Competitive Advantage**
Ability of a firm to outperform its rivals.

**Action required:**
Determine how firm’s resources and capabilities may create competitive advantage.

---

**An Attractive Industry**
Location of an industry with opportunities that can be exploited by the firm’s capabilities.

**Action required:**
Locate an attractive industry.

---

**Resources**
Inputs to a firm's production process.

**Capability**
Capacity for an integrated set of resources to integratively perform a task or activity.

**Competitive Advantage**
Ability of a firm to outperform its rivals.

**An Attractive Industry**
Location of an industry with opportunities that can be exploited by the firm’s capabilities.

**Action required:**
Locate an attractive industry.
STRATEGIC MANAGEMENT: INTRODUCTION

NOTES

resources
inputs to a firm's production process.
capability
capacity for an integrated set of resources to integratively perform a task or activity.
competitive advantage
ability of a firm to outperform its rivals.
an attractive industry
location of an industry with opportunities that can be exploited by the firm's resources and capabilities.

action required:
select strategy that best exploits resources and capabilities relative to envtl. opportunities.

strategy formulation and implementation
strategic actions taken to earn above-average returns.

superior returns
earning of above-average returns.

action required:
maintain selected strategy in order to outperform industry rivals.