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

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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

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.
STRATEGIC MANAGEMENT
INTRODUCTION

STRATEGIC MANAGEMENT PROCESS

Consists of:

- Analysis
- Decisions
- Actions

which are required for firms to:

- Create and Sustain Competitive Advantage

EVOLUTION OF 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
LEVELS OF STRATEGY

- Corporate
  ➢ What business(es) should we be in?
- Business/Competitive
  ➢ How should we compete in a given industry?

CORPORATE AND BUSINESS STRATEGY

INDUSTRY ATTRACTIVENESS
Which industries should we be in?

CORPORATE STRATEGY
How do we make money?

COMPETITIVE ADVANTAGE
How should we compete?

BUSINESS STRATEGY
How can value be created?

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?
The Strategic Management Process

**Strategic Intent/Vision, Mission, and Strategic Objectives**

- **Intent/Vision**: Winning competitive battles through decisions on how to best 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.
- **Goals/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
**Mission Statement**

**Values and Social Responsibility**
- Explicit statement of values and principles that guide business conduct
- Instruments of companies’ external image management process
- Influence employees’ motivation, propensity to collaborate, and their own sense of identity

**Corporate Social Responsibility**
- Property conception – which views the firm as a collection of assets owned by the stockholders
- Social entity conception – views firms as a community of individuals sustained and supported by its relationship with environment

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**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

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**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?
INDUSTRIAL ORGANIZATION (I/O) MODEL

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.

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.

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

Action required: Identify strategy called for by the industry to earn above-average returns.

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

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

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

Action required: Use the firm's strengths (its assets or ability) to implement the strategy.

Superior Returns
- Earning of above-average returns

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

**RESOURCE BASED MODEL OF SUPERIOR RETURNS**

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

- **Capability**
  - Capacity for an integrated set of resources to 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.

**Strategy Formulation and Implementation**
- Strategic actions taken to earn above-average returns.

**Superior Returns**
- Earning of above-average returns.

**Action required:**
- Identify firm resources. Study strengths and weaknesses relative to rivals.
- Determine what firm capabilities allow it to do better than rivals.
- Determine how firm's resources and capabilities may create competitive advantage.
- Select strategy that best exploits resources and capabilities relative to env'tal. opportunities.
- Maintain selected strategy in order to outperform industry rivals.