Session 1 – Saturday 14\textsuperscript{th} Bahman 85

- Strategic Planning Fundamentals
- Definitions, Terms, and Terminology
- Overview of Concepts and Importance

Chapter 1

Strategic Management: Concepts & Cases
11\textsuperscript{th} Edition, Fred David, Prentice Hall, 2006

The Nature of Strategic Management

What Is Strategy and Why Is It Important? What goes into Strategy?
Fred R. David, Ph.D. is an internationally recognized strategic planning scholar, author, and consultant. He received a BS and MBA degree from Wake Forest University and a Ph.D. in strategic management from the University of South Carolina. He is the Tran-South Professor of Strategic Management at Francis Marion University in Florence, South Carolina. His Strategic Management textbook, is used in more than 400 colleges and universities to teach strategic planning. The textbook is very practitioner and skills-oriented. This book has been translated into Farsi, Spanish, German, Japanese and Chinese and is widely used worldwide.
Themes in 11th ed. of the Text

- **Global Considerations** – impact virtually all strategic decisions
- **E-commerce** – vital strategic management tool
- **Natural environment** – important strategic issue

- Why Strategic Management Is a Process?
- Who Performs the Tasks of Strategy?
- Benefits of “Managing Strategically”?
- Terms to Remember!
Power of Saying No!

- Case of Start-up company
- Excellent at Operations
- Trying to please everyone
- Doing a bit of everything
- Working harder, not smarter

- Not growing, little profit
- No focus, no direction
- Losing to specialty stores
Prime Task of Strategic Management

Peter Drucker: -- Think through the overall mission of a business. Ask the key question: “What is our Business?”
دریافت‌کننده: 


dزابایی

اگر گزارش‌هایی خود را دارای کیفیت داشته باشید، باید توجه داشته باشید که امکان پذیرفتن این گزارش در فهرست زبان‌های مورد نظر وجود ندارد.


Strategic Planning – MBA Sharif – Dr. Sepehri – Spring 1385
Thinking Strategically:  
The Three Big Strategic Questions

1. Where are we now?

2. Where do we want to go?
   - Business(es) to be in and market positions to stake out
   - Buyer needs and groups to serve
   - Outcomes to achieve

3. How will we get there?
   - A company’s answer to “how will we get there?” is its strategy
Art & science of **formulating**, **implementing**, and **evaluating**, cross-functional decisions that enable an organization to achieve its objectives
pouramnsaeez

Strategic Planning – MBA Sharif – Dr. Sepehri – Spring 1385
Strategic Management

In essence, the strategic plan is a company’s game plan

It is fundamental planning, away from daily operations to bring focus & direction
Strategic Management achieves a firm’s success through integration –

<table>
<thead>
<tr>
<th>Management</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance/Accounting</td>
<td>Production/Operations</td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td>MIS</td>
</tr>
</tbody>
</table>
What Is Strategy?

- Consists of the combination of competitive moves and business approaches used by managers to run the company.

- Management’s “game plan” to:
  - Attract and please customers
  - Stake out a market position
  - Compete successfully
  - Grow the business
  - Achieve targeted objectives
The *Hows* That Define a Firm's Strategy

- *How* to please customers
- *How* to respond to changing market conditions
- *How* to outcompete rivals
- *How* to grow the business
- *How* to manage each functional piece of the business and develop needed organizational capabilities
- *How* to achieve strategic and financial objectives

*Strategy is HOW to . . .*
The What of a Company’s Strategy

The pattern of actions and business approaches that define a company’s strategy

Actions to gain sales and market share via lower prices, more performance features, more appealing design, better quality or customer service, wider production selection, etc.

Actions to diversify the company’s revenues and earnings by entering new businesses

Actions to respond to changing market conditions and other external circumstances

Actions to enter new geographic or product markets or exit existing ones

Actions to merge with or acquire rival companies

Efforts to pursue new market opportunities and defend against threats to the company’s well-being

Actions to form strategic alliances and collaborative partnerships

Actions and approaches that define how the company manages research and development, production, sales and marketing, finance, and other key activities

Actions to strengthen competitive capabilities and correct competitive weaknesses
فرآیند مدیریت استراتژیک شامل سه مرحله است:

1. استراتفیک یا نشست‌های مدیریت
2. اجرا
3. اندازه‌گیری و تحقیق

Strategic Planning – MBA Sharif – Dr. Sepehri – Spring 1385
Strategy Formulation

- Vision & Mission
- External Opportunities & Threats
- Internal Strengths & Weaknesses
- Long-Term Objectives
- Alternative Strategies
- Strategy Selection
Issues in Strategy Formulation

- New business opportunities
- Businesses to abandon
- Allocation of resources
- Expansion or diversification
- International markets
- Mergers or joint ventures
- Avoidance of hostile takeover
Strategy Implementation

- Annual Objectives
- Policies
- Employee Motivation
- Resource Allocation
Strategy Implementation

Action Stage of Strategic Management –

- Most difficult stage
- Mobilization of employees & managers
- Interpersonal skills critical
- Consensus on goal pursuit
Strategy Evaluation

- Internal Review
- External Review
- Performance Metrics
- Corrective Actions
Final Stage of Strategic Management

✓ Subject to future modification
✓ Today’s success no guarantee of future success
✓ New & different problems
✓ Complacency leads to demise
Tasks of Strategic Management

1. Develop a Strategic Vision & Mission
2. Set Objectives
3. Craft a Strategy to Achieve Objectives
4. Implement & Execute Strategy
5. Evaluate & Make Corrections

- Revise as Needed
- Revise as Needed
- Improve/Change
- Improve/Change
- Recycle as Needed

Set Objectives → Craft a Strategy to Achieve Objectives → Implement & Execute Strategy → Evaluate & Make Corrections → Develop a Strategic Vision & Mission
Developing a Vision and Mission

The First Task of Strategic Management

- Begins with thinking strategically about
  - The firm’s future business makeup
  - Where to take the firm

- The task is to
  - Create a roadmap of a company’s future
  - Decide what future business position to stake out
  - Provide long-term direction
  - Give the firm a strong identity
Missions vs. Strategic Visions

A **mission** statement focuses on **current** business activities
- Business(es) company is in now
- Customer needs currently being served

A **strategic vision** concerns a firm’s **future** business path
- The kind of company it is trying to become
- Customer needs to be satisfied in the future
“Strategic Management is Gaining & Maintaining Competitive Advantage”

“Anything that a firm does especially well compared to rival firms”
Achieving Sustained Competitive Advantage

1. Adapting to change in external trends, internal capabilities and resources

2. Effectively formulating, implementing & evaluating strategies
Integrating *Intuition* and *Analysis*

The strategic management process attempts to organize quantitative and qualitative information under conditions of uncertainty.
Integrating *Intuition* and *Analysis*

**Intuition is based on:**
- Past experiences
- Judgment
- Feelings

**Intuition is useful for decision making in:**
- Conditions of great uncertainty
- Conditions with little precedent
Integrating *Intuition & Analysis*

- Involve Management at all levels
- Influence all Analyses
Adapting to Change

Organizations must monitor events
- On-going process
- Internal and external events
- Timely changes

Effective Adaptation

Requires long-term focus
Adapting to Change

Rate & magnitude of change increasing dramatically

E-commerce
Demographics
Technology
Adapting to Change – Key Strategic Management Questions

- **What kind of business should we become?**
- **Are we in the right fields**
- **Are there new competitors?**
- **What strategies should we pursue?**
- **How are our customers changing?**
Key Terms

Strategists – Firm’s success/failure

Various Job Titles:

• Chief Executive Officer (CEO)
• Chief Strategy Officer (CSO)
• President
• Owner
• Board Chair
• Executive Director
Key Terms

Vision Statement –
*What do we want to become?*

Mission Statement –
*What is our business?*
Key Terms

Opportunities and Threats (External)

- Largely beyond the control of a single organization
Key Terms

Opportunities & Threats (External)

Analysis of Trends:

• Economic
• Social
• Cultural
• Demographic/Environmental
• Political, Legal, Governmental
• Technological
• Competitors
Key Terms
Opportunities & Threats

Environmental Scanning (Industry Analysis)

- Process of conducting research and gathering and assimilating external information
Key Terms
Opportunities & Threats

Basic Tenet of Strategic Management

- Strategy Formulation
  - Take advantage of External Opportunities
  - Avoid/minimize impact of External Threats
Key Terms

Strengths & Weaknesses (Internal)

- Controllable activities performed especially well or poorly
Key Terms

Strengths & Weaknesses (Internal)

Typically located in functional areas of the firm

- Management
- Marketing
- Finance/Accounting
- Production/Operations
- Research & Development
- Computer Information Systems
Key Terms
Strengths & Weaknesses

Assessing the Internal Environment

- Internal Factors
  - Financial Ratios
  - Performance Metrics
  - Industry Averages
  - Survey Data
Key Terms

Long-term Objectives

- Mission-driven pursuit of specified results more than one year out
Key Terms

**Long-term Objectives**

Essential for ensuring the firm's success

- Provide direction
- Aid in evaluation
- Create synergy
- Focus coordination
- Basis for planning, motivating, and controlling
Key Terms

Strategies

- Means by which long-term objectives are achieved
Key Terms

Strategies

Some Examples

• Geographic expansion
• Diversification
• Acquisition
• Market penetration
• Retrenchment
• Liquidation
• Joint venture
Key Terms

Annual Objectives

- Short-term milestones that firms must achieve to attain long-term objectives
Key Terms

Policies

- Means by which annual objectives will be achieved
Example Strategies in Action in 2005

WALGREENS

The large drugstore Walgreens now has 4,798 stores coast to coast serving over four million customers daily, but the firm faces intense competition on many fronts. Its biggest rival is CVS, which recently acquired 1,268 Eckerd’s stores to push its total store count to 5,415. Also, supermarkets and mass merchandisers such as Wal-Mart are rapidly moving into the pharmacy business. In addition, the rise in low-cost mail-order prescriptions, which represents a profound shift in the way Americans buy their medicines, threatens Walgreens. Drug purchases by mail grew 18 percent in 2004. So the Walgreens strategy is to open 450 new stores annually in “great” locations. CEO David Bernauer believes the United States has room for 12,000 Walgreens. The company also is a leader in driving down operating costs.

OUTBACK STEAKHOUSE, INC.

Outback Steakhouse, Inc., has pursued a strategy of diversification for more than a decade. Outback Steakhouse today owns Carrabba’s Italian Grill (176 locations); Bonefish Grill, a seafood house specializing in wild-caught fish (72 locations); Fleming’s Prime Steakhouse & Wine Bars, a white-tablecloth chain (32 locations); Roy’s, a purveyor of Hawaiian fusion food (19 locations); Cheeseburger in Paradise, a tropical-theme outlet featuring nightly entertainment (14 locations); Paul Lee’s Chinese Kitchens, a start-up business (3 locations); and Lee Roy Selmon’s “Southern Comfort” (2 locations). Outback plans to open 163 new restaurants across these divisions in 2005 compared to 120 new openings in 2004.
Example Strategies in Action in 2005

NUCOR CORP.

Nucor Corp., based in Charlotte, Nucor Corp, has become the tenth-largest steel-producing company in the world by acquiring faltering steel plants. Nucor acquired ten steel plants from 2001 to 2005 as profits soared to $1.1 billion in 2004 on sales of over $11 billion. Nucor uses nonunion workers and state-of-the-art technology to outperform larger integrated steel companies. Previous CEO Ken Iverson led Nucor’s pioneering minimill approach to steelmaking for decades before current CEO Daniel DiMicco led Nucor to become Business Week’s top performing company in materials/chemicals/forest products in 2004 based on both profit and revenue growth.

AUTODESK

Autodesk is among the best-performing stocks on the S&P 500, rising about 200 percent annually of late. Led by CEO Carol Bartz for the last thirteen years, Autodesk focuses on a strategy of product development and produces software for designing and manufacturing everything from skyscrapers to spoons. Since Carly Fiorina’s exit from Howlett-Pacard, Carol Bartz of Autodesk is one of the most prominent women among U.S. technology firms (along with Meg Whitman, CEO of eBay). No CEO who is not a founder has served longer at any major tech company than Carol Bartz at Autodesk.
Strategic Management Model

Strategic Management Process

- Dynamic & Continuous
- More formal in larger organizations
Strategic Management Model

1. Identify Existing --

- Vision
- Mission
- Objectives
- Strategies
Strategic Management Model

2. Audit external environment
3. Audit internal environment
4. Establish long-term objectives
5. Generate, evaluate & select strategies
6. Implement selected strategies
7. Measure & evaluate performance
Benefits of Strategic Management

• Proactive in shaping firm’s future
• Initiate and influence firm’s activities
• Formulate better strategies
  • Systematic, logical, rational
Benefits of Strategic Management

Financial Benefits

• Improvement in sales
• Improvement in profitability
• Productivity improvement
Benefits of Strategic Management

Non-Financial Benefits

• Improved understanding of competitors strategies
• Enhanced awareness of threats
• Reduced resistance to change
• Enhanced problem-prevention capabilities
Benefits of Strategic Management (Greenley)

1. Identification of Opportunities
2. Objective view of management problems
3. Improved coordination & control
4. Minimizes adverse conditions & changes
5. Decisions that better support objectives
Benefits of Strategic Management (Greenley – cont’d)

6. Effective allocation of time & resources
7. Internal communication among personnel
8. Integration of individual behaviors
9. Clarify individual responsibilities
10. Encourage forward thinking
11. Encourages favorable attitude toward change

12. Provides discipline and formality to the management of the business
Why Some Firms Do No Strategic Planning

- Poor reward structures
- Fire-fighting
- Waste of time
- Too expensive
- Laziness
- Content with success
Why Some Firms Do No Strategic Planning

- Fear of failure
- Overconfidence
- Prior bad experience
- Self-interest
- Fear of the unknown
- Suspicion
Business Ethics & Strategic Management

Business Ethics defined –

- Principles of conduct within organizations that guide decision making and behavior
Good business ethics –

- Prerequisite for good strategic management
Code of business ethics –

- Provides basis on which policies can be devised to guide daily behavior and decisions in the workplace
Business Ethics & Strategic Management

Business practices always considered unethical –

- Misleading advertising
- Misleading labeling
- Harm to the environment
- Insider trading
- Dumping flawed products on foreign markets
- Poor product or service safety
- Padding expense accounts
Natural Environment Perspective

ISO used to gain strategic advantage

- ISO 9000 focuses on quality control
- > 1.5 million companies incorporate ISO
Natural Environment Perspective

ISO 14000 standards

- Voluntary standards
- ISO 14001 standard for Environmental Management System
- Firms minimize harmful effects on environment
The Nature of Global Competition

International/multinational corporations

- Parent company
- Host country
The Nature of Global Competition

Strategy implementation may be difficult

- Cultural differences
  - Norms
  - Values
  - Work ethic
Advantages of International Operations

- Absorb excess capacity
- Reduce unit costs
- Spread risk over wider markets
- Low-cost production facilities
- Less intense competition
- Lower taxes
- Economies of scale
Disadvantages of International Operations

- Difficult communications
- Underestimate foreign competition
- Cultural barriers to effective management
- Complications arising from currency differences