

Management & Organizational Behavior

Strategic Management

Strategic Competitiveness

- Competitive advantage—operating in a successful way that is difficult for competitors to imitate.
- Sustainable competitive advantage—consistently dealing with market and environmental forces better than competitors.

Strategic Competitiveness

- Strategy—a comprehensive action plan providing long-term direction and guiding resource utilization to accomplish organizational goals with sustainable competitive advantage.
- Strategic intent—focusing all organizational energies on a unifying and compelling goal.

Strategic Competitiveness

- Strategic management—the process of formulating and implementing strategies to accomplish long-term goals and sustain competitive advantage.

Strategic Competitiveness

- Strategic management goals
 - Formulate and implement strategies that yield long-term, sustainable competitive advantage.
 - Create above-average returns for investors.

Environments & Competitive Advantage

- Monopoly
 - Only one player and no competition
 - Creates absolute competitive advantage
- Oligopoly
 - Few players not directly competing against each other
 - Long-term competitive advantage in a defined market segment.

Environments & Competitive Advantage

- Hypercompetition
 - Several players directly competing against each other
 - Any competitive advantage is only temporary

Strategic Management Process

- Strategy formulation
- Strategy implementation

Strategy Formulation

- The process of creating strategy.
- Involves assessing existing strategies, the organization, and its environment to develop new strategies and strategic plans capable of delivering future competitive advantage.

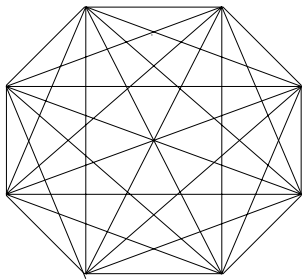
Strategy Formulation

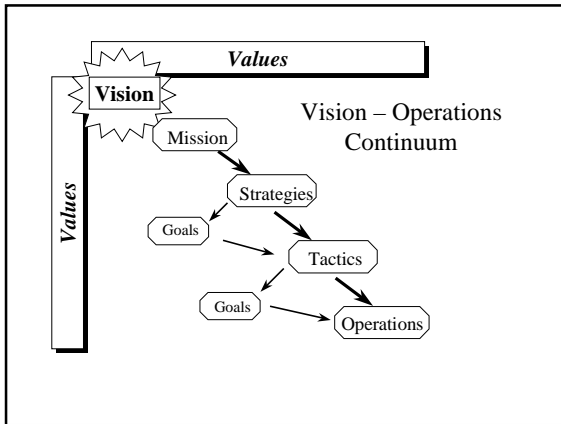
- Drucker's strategy formulation process
 - What is our business mission?
 - Who are our customers?
 - What do our customers consider value?
 - What have been our results?
 - What is our plan?

Strategy Implementation

- The process of allocating resources and putting strategies into action.
- All organizational and management systems must be mobilized to support the accomplishment of strategies.

Systems are Wholes





Essential Tasks for Strategy Implementation

- Identify organizational mission and objectives.
- Assess current performance vis-à-vis mission and objectives.
- Create strategic plans to accomplish purpose and objectives.
- Implement the strategic plans
- Evaluate results; change strategic plans and/or implementation processes as necessary.

Strategic Management Process

- Analysis of mission
 - The reason for an organization's existence
 - Good mission statements identify:
 - Customers
 - Products and/or services
 - Location
 - Underlying philosophy
 - Test of the mission is how well it serves the organization's stakeholders

Strategic Management Process

- Analysis of values
 - Values are broad beliefs about what is or is not appropriate.
 - Organizational culture reflects the dominant value system of the organization as a whole.

Strategic Management Process

- <http://www.dupont.com/corp/overview/glance/index.html>
- http://www.mbna.com/about_index.html

Strategic Management Process

- Analysis of objectives
 - Operating objectives direct activities toward key and specific performance results.

Strategic Management Process

– Typical operating objectives:

- Profitability
- Market share
- Human talent
- Financial health
- Cost efficiency
- Product quality
- Innovation
- Social responsibility

SWOT

- Strengths
- Weaknesses
- Opportunities
- Threats

Strategic Management Process

- Analysis of organizational resources and capabilities
 - Assessing organizational Strengths and Weaknesses within SWOT analysis

Strategic Management Process

- Identifying core competencies
 - Technology
 - Human resources
 - Manufacturing approaches
 - Management talent
 - Financial strength

Strategic Management Process

- Analysis of industry and environment
 - Assessing Opportunities and Threats within SWOT analysis
 - Assessment of actual and future environmental conditions
 - Macro environment
 - Industry environment

Strategies

- Levels of strategy
 - Corporate strategy—directs the organization as a whole toward sustainable competitive advantage.
 - Business strategy—sets the strategic direction for a single business unit or product line.

Strategies

- Levels of strategy
 - Corporate strategy—directs the organization as a whole toward sustainable competitive advantage.
 - Business strategy—sets the strategic direction for a single business unit or product line.
 - Functional strategy—guides the use of resources to implement business strategy, focusing on activities within a specific area of operations.

Strategies

- Growth and diversification strategies
 - Growth strategies—seek an increase in size and the expansion of current operations.
 - Concentration strategies—growth occurs through expansion in the same business area.
 - Diversification strategies—growth occurs through acquisition of or investment in new and/or different business areas.

Strategies

- Restructuring and divestiture strategies
 - Liquidation—operations cease due to sale of assets or bankruptcy.
 - Restructuring—changes in the scale and/or mix of operations to gain efficiency and improve performance.
 - Divestiture—selling off parts of the organization to refocus on core competencies.

Strategies

- Cooperative strategies
 - Strategic alliances—two or more organizations partner to pursue an area of mutual interest.

Strategies

- Types of strategic alliances:
 - Outsourcing alliances
 - Supplier alliances
 - Distribution alliances

Strategies

- E-business strategies
 - The strategic use of the Internet to gain competitive advantage.
 - Popular e-business strategies
 - Business-to-business (B2B) strategies
 - Business-to-customer (B2C) strategies

Strategies

- Web-based business models:
 - Brokerage model
 - Advertising model
 - Merchant model
 - Subscription model
 - Infomediary model
 - Community model

Strategy Formulation

- Opportunities for achieving sustainable competitive advantage:
 - Cost and quality
 - Knowledge and speed
 - Barriers to entry
 - Financial resources

Strategy Formulation

- Business-level strategy formulation
 - Focus on finding ways to do a better job of attracting customers within a given business or industry.
 - Helpful planning tools in formulating business-level strategies:
 - Porter's generic strategies
 - Product life cycle

Porter's Generic Strategies

- Business-level strategic decisions are driven by:
 - Market scope
 - Source of competitive advantage
- Market scope and source of competitive advantage combine to generate four generic strategies.

Porter's Generic Strategies

Market Scope	Broad		
	Narrow		
		Low Price	Uniqueness
		Source of Competitive Advantage	

Porter's Generic Strategies

- Generic strategies for gaining competitive advantage:
 - Differentiation strategy
 - Cost leadership strategy
 - Focused differentiation strategy
 - Focused cost leadership strategy

Porter's Generic Strategies

Market Scope	Broad	Cost Leadership Strategy	Differentiation Strategy
	Narrow	Focused Low Cost Strategy	Focused Differentiation Strategy
		Low Price	Uniqueness
Source of Competitive Advantage			

Product Life Cycle

- Product life cycle
 - A series of stages that a product or service goes through during the life of its marketability.
 - Stages of the life cycle:
 - Introduction
 - Growth
 - Maturity
 - Decline

Product Life Cycle

- Product life cycle
 - Introduction and growth stages
 - Use differentiation and prospector strategies
 - Maturity stage
 - Use focus and/or cost leadership strategies
 - Decline stage
 - Use defender or analyzer strategies

Strategy Formulation

- Corporate-level strategy formulation
 - Key issue is the selection and refinement of the organization's mix of businesses.
 - Approaches to formulating business-level strategies:
 - Portfolio planning
 - Adaptive strategies

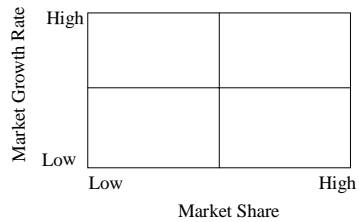
Portfolio Planning Approach

- Designed to help managers decide on investing scarce organizational resources among competing business opportunities.
- Useful for multibusiness or multiproduct situations.

Boston Consulting Group (BCG) Matrix

- Ties strategy formulation to analysis of business opportunities according to
 - Industry or market growth rate
 - Market share

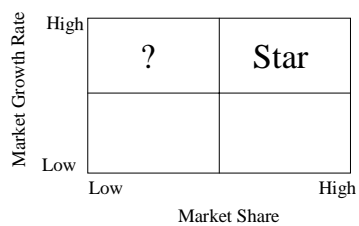
Boston Consulting Group (BCG) Matrix



Boston Consulting Group (BCG) Matrix

- Question marks
 - Low share/high growth businesses
 - Preferred strategy—growth for promising ?s and restructuring or divestiture for others
- Stars
 - High share/high growth businesses
 - Preferred strategy—growth

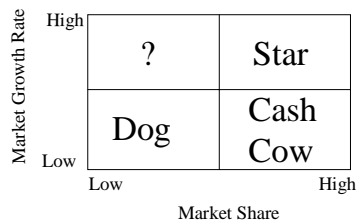
Boston Consulting Group (BCG) Matrix



Boston Consulting Group (BCG) Matrix

- Cash cows
 - High share/low growth businesses
 - Preferred strategy—stability or modest growth
- Dogs
 - Low share/low growth businesses
 - Preferred strategy—retrenchment by divestiture

Boston Consulting Group (BCG) Matrix



GE Business Screen

- Business strengths:
 - Market share, technological advantage, product quality, operating costs, and price competitiveness.
- Industry attractiveness:
 - Market size and growth, capital requirements, and competitive intensity.

GE Business Screen

- Combining business strength and industry attractiveness yields a matrix that identifies business units as:
 - Winners, question marks, average businesses, profit producers, or losers.

Miles & Snow Adaptive Strategies

- Organizations should pursue product/market strategies that are congruent with their external environments.

Miles & Snow Adaptive Strategies

- Prospector strategy
 - Appropriate in dynamic, high-potential environments
- Defender strategy
 - Appropriate in stable or declining environments
- Analyzer strategy
 - Following leading competitors in high-potential environments
- Reactor strategy
 - Following competitors as a last resort regardless of environment

Strategy Formulation

- Incrementalism
 - Modest and incremental changes in strategy occur as managers learn from experience.
- Emergent strategies
 - Develop progressively over time in the streams of decisions that managers make.
