



Strategic management process

A hierarchical approach



Figure 2.1: Levels of Strategy-Making in a Diversified Company

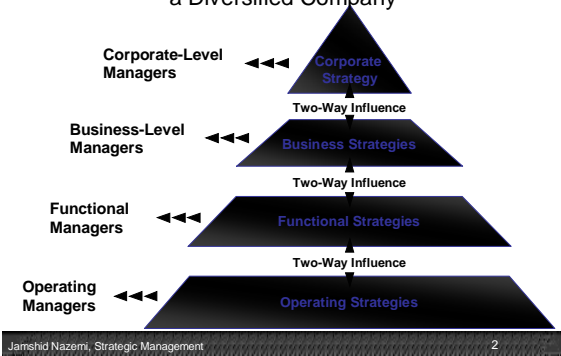




Figure 2-1: Levels of Strategy-Making in a Single-Business Company

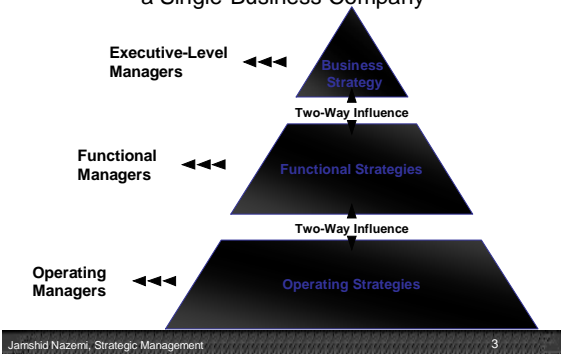
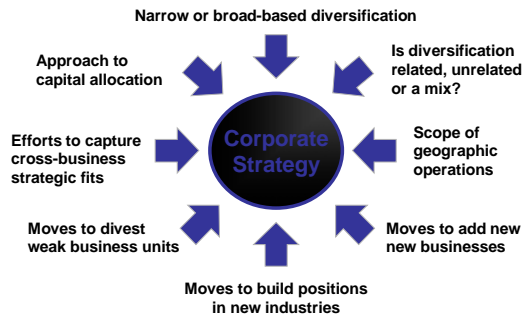




Figure 2.2: Corporate Strategy for a Diversified Company





Tasks of Corporate Strategy

- Moves to achieve **diversification**
- Actions to **boost performance** of individual businesses
- Capturing valuable cross-business **strategic fits** that result in **1 + 1 = 3** effects!
- Establishing **investment priorities** and steering corporate resources into the most attractive businesses





Figure 2.3: Identifying the Components of a Single-Business Company's Strategy
Planned, proactive moves to outcompete rivals





What Business Strategy Involves

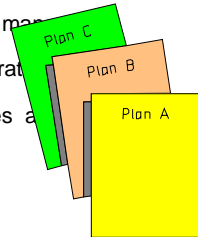
- Forming **responses** to changes in industry and competitive conditions, buyer needs and preferences, economy, regulations, etc.
- Crafting **competitive moves** to produce sustainable competitive advantage
- Building competitively valuable **competencies** and **capabilities**
- **Uniting** strategic initiatives of functional areas
- Addressing **strategic issues** facing the company





Functional Strategies

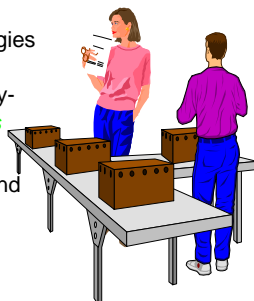
- **Game plan** for a strategically-relevant function, activity, or business process
- Details **how** key activities will be managed
- Provide **support** for business strategy
- Specify **how** functional objectives are achieved





Operating Strategies

- Concern narrower strategies for managing grassroots activities and strategically-relevant **operating units**
- Add **detail** to business and functional strategies





Example: Operating Strategy

Improving Delivery & Order-Filling

Manufacturer of plumbing equipment emphasizes quick delivery and accurate order-filling as keystones of its customer service approach. Warehouse manager took following approaches:

- Inventory stocking strategy allowing 99% of all orders to be completely filled without backordering any item
- Staffing strategy of maintaining workforce capability to fill order within 24 hours





Example: Operating Strategy

Boosting Worker Productivity

To boost productivity by 10%, managers of firm with low-price, high-volume strategy take following actions:

- Recruitment manager develops selection process designed to weed out all but best-qualified candidates
- Information systems manager devises way to use technology to boost productivity of office workers
- Compensation manager devises improved incentive compensation plan
- Purchasing manager obtains new efficiency-increasing tools and equipment





Uniting the Company's Strategy-Making Effort

- A company's strategy is a **collection** of strategies and initiatives being acted on by managers at various organizational levels
- Separate levels of strategy must be unified into a **cohesive**, company-wide action plan
- Pieces of strategy should **fit** together like the pieces of a **puzzle**





Social, Political, Regulatory, and Community Factors

- Pressures from special interest groups
- Glare of investigative reporting
- Health and nutrition concerns
- Concerns about alcohol and drug abuse
- Sexual harassment
- Corporate downsizing
- Impact of plant closings on
- Rising/falling interest rates
- Economic conditions (good or bad)
- Trade restrictions, tariffs, and import quotas





What Do We Mean by "Corporate Social Responsibility?"

- Conducting company activities within bounds of what is considered **ethical** and in public interest
- Responding positively to emerging societal priorities and expectations
- Demonstrating willingness to take needed action ahead of regulatory confrontation
- Balancing stockholder interests against larger interest of society as a whole
- Being a **"good citizen"** in community



Competitive Conditions and Industry Attractiveness

- A company's strategy has to be **responsive** to
 - Fresh moves of rival competitors
 - Changes in industry's price-cost-profit economics
 - Shifting buyer needs and expectations
 - New technological developments
 - Pace of market growth





Strategic Management Principle

A company's strategy can't produce real market success unless it is *well-matched* to industry and competitive conditions!



Company Opportunities and Threats

- For strategy to be successful, it has to
 - Be well matched to capturing a company's best **opportunities**
 - And help counteract **threats** to the company's well-being





Company Strengths, Competencies, and Competitive Capabilities

- A company must have or be able to acquire the resources, competencies, and competitive capabilities needed to **execute the chosen strategy**
- Resource deficiencies, gaps in skills, and weaknesses in competitive position make **pursuit of certain strategies risky** or altogether unwise