



Strategic Management Concept, Importance and Application

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12th. January 2013

Discussion

X Corp. designs, develops, assembles and markets systems for data base management. These systems integrate its proprietary operating system software with hardware supplied by major manufacturers, and are sold to small, medium and large-sized companies for a range of business applications. Its systems are distinguished by a sophisticated operating system, which permits use without trained data-processing personnel.

Our mission is to enhance our customers' business by providing the very highest quality products and services possible. Our customer support strategy is based upon total, no-compromise customer satisfaction and we continually strive to offer a complete package of up-to-date value added solutions to meet our customers' needs. We value above all our long term customer relations.

Case Study in Human Resource Management

Industry : Manufacturing

Industry: Well established, smooth running, multi-crore manufacturing giant, aspiring to be the "No.1" on not only business fronts but political and management horizons too.

You are about to complete tenth year of service in this business house. You are happy and expecting a second promotion.

Situation: One fine day you board the bus in the morning to notice a very special silence. All the chirping, joking, gossiping has come to a stand still .You get to know that your company has accepted the VRS recommendations by the central government. Your bus partner enquires about your age and the number of years of service.

Grapevine: The company may shut down this plant possibly in the next fiscal year due to taxation and infrastructure problems. To begin with they want to cut down the manpower, beginning with managerial cadre, then the vendors followed by the workers...

Facts: Earlier the govt did not allow job termination so easily. The recently elected govt. has a commitment of "job creation" in their electoral "Magna charta" of promises... One brainy idea has come in the form of termination of "old, experienced but sometimes difficult" employees under the disguise of offering "golden shake hand" or "voluntary retirement" Contrast: On one side the country is facing grave shortage of skilled, experienced manpower on the other they are promoting schemes like VRS!!

Challenge:

- You have family of five to support.
- You have to shoulder a housing loan and a car loan.
- Having spent ten years in a particular industry it may not be easy to find a new job.
- VRS is for the employees above forty years of age and / or have completed ten years of service.
- Maximum package of Rs Five lacs is for those having completed 15 years and above.
- You can get a max. Of 2.90 Lacs. Only.
- Once you accept VRS, getting a new job may not be easy.
- If you do not opt for a VRS, possibility of transfer to a remote place or you may be asked to resign , and go without any compensation being in management cadre.

Case Study Questions

Task : You have to make your choice and justify it in not more than five sentences.



Purposes of Strategic Management?

To exploit and create new and different opportunities for tomorrow

Why Strategic Management?

1. Clearer sense of strategic vision
2. Sharper focus on what is strategically important
3. Improved understanding of rapidly changing environment

What?

Art & science of **formulating, implementing, and evaluating**, cross-functional decisions that enable an organization to achieve its objectives

Major Issues to Be Considered

Global considerations impact virtually all strategic decisions.

E-commerce has become a vital strategic management tool.

The natural environment has become an important strategic issue.

Strategic Management

In essence, the **strategic plan** is a company's **game plan**

What is Strategy?

Strategy is the overall plan for deploying resources to establish a favorable position.

Tactic is a scheme for a specific maneuver.

Strategies

Means by which long-term objectives are achieved

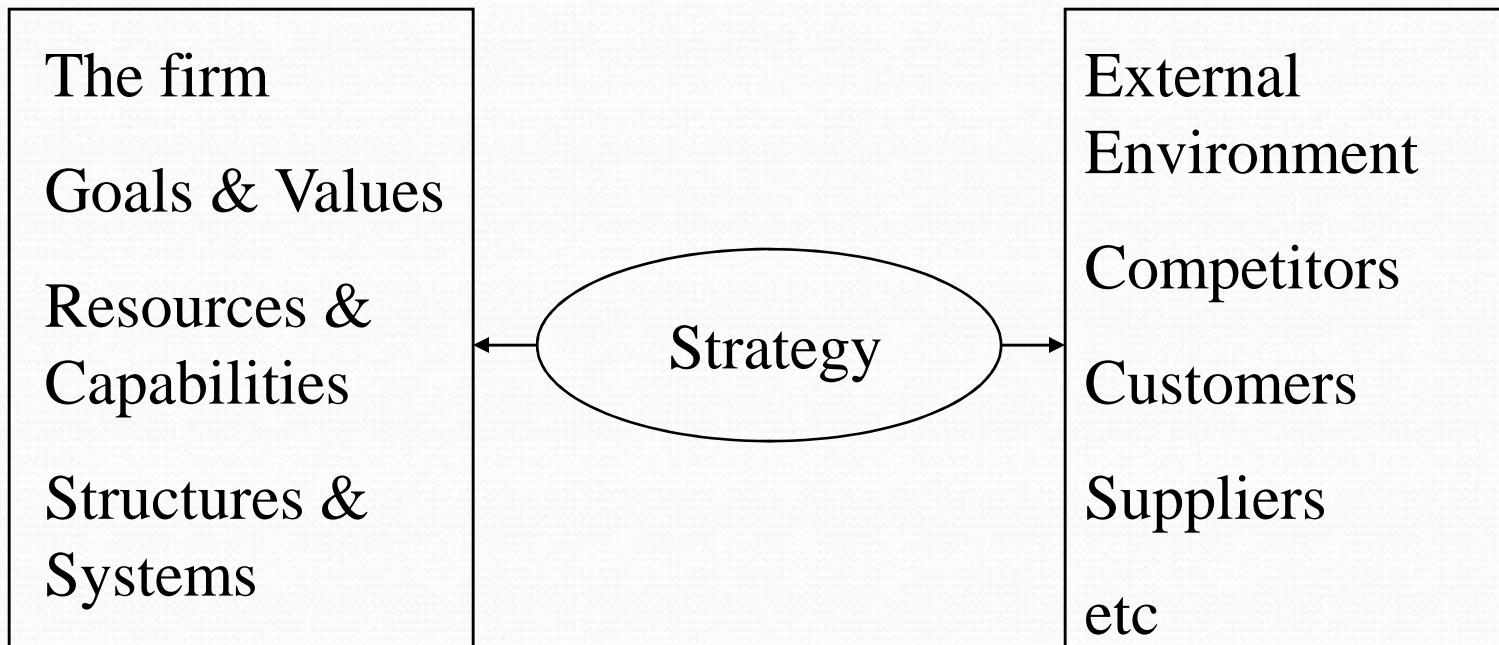
Strategies

- Examples
 - Geographic expansion
 - Diversification
 - Acquisition
 - Product development
 - Market penetration
 - Retrenchment
 - Divestiture
 - Liquidation
 - Joint venture

Characteristics of strategic decisions...

- Important
- Involve a significant commitment of resources
- Not easily reversible

Basic Framework



Definitions

Strategic Management Process

The full set of commitments, decisions, and actions required for a firm to create value and earn above-average returns

Value Creation

What is achieved when a firm successfully formulates and implements a strategy that other companies are unable to duplicate or find too costly to imitate.

Definitions

Average Returns

Returns that are equal to those an investor expects to earn from other investments with a similar amount of risk

Above-Average Returns

Returns that are in excess of what an investor expects to earn from other investments with a similar amount of risk

Definitions

Risk

An investor's uncertainty about the economic gains or losses that will result from a particular investment

Synonymous

“Strategic Management” & “Strategic Planning”

- **Strategic management**

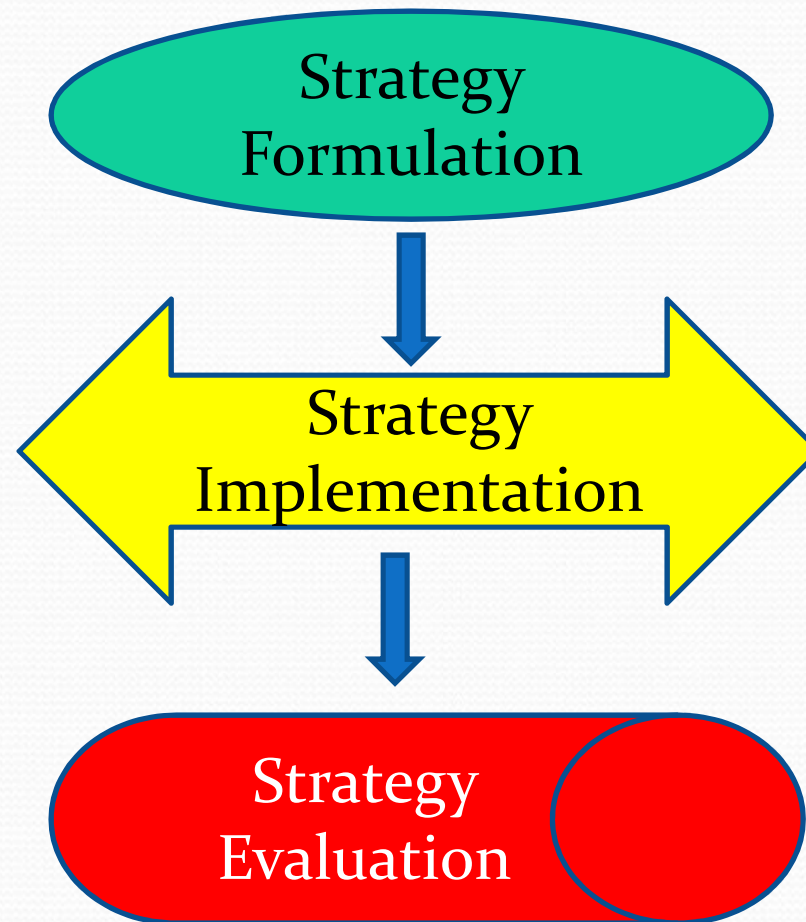
Used more often in academia

- **Strategic planning**

Used more often in the business world

- Strategic management
 - Refers to:
 - Strategy formulation
 - Strategy implementation
 - Strategy evaluation
- Strategic planning
 - Refers to:
 - Strategy formulation

Three-Stages Process



Strategy Formulation

```
graph TD; A([Strategy Formulation]) --- B[Vision & Mission]; A --- C[External Opportunities & Threats]; A --- D[Internal Strengths & Weaknesses]; A --- E[Long-Term Objectives]; A --- F[Alternative Strategies]; A --- G[Strategy Selection];
```

Vision & Mission

External Opportunities & Threats

Internal Strengths & Weaknesses

Long-Term Objectives

Alternative Strategies

Strategy Selection

Issues in Strategy Implementation

Action Stage of Strategic Management

- ✓ Mobilization of employees & managers
- ✓ Most difficult stage
- ✓ Interpersonal skills critical

Strategy Evaluation

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graph TD; A([Strategy Evaluation]) --- B[Internal Review]; A --- C[External Review]; A --- D[Performance Measurement]; A --- E[Corrective Action]
```

Internal Review

External Review

Performance Measurement

Corrective Action

Prime Task of Strategic Management

Peter Drucker: Think through the overall mission of a business. Ask the key question:

“What is our Business?”

Integrating Intuition & Analysis

The strategic management process attempts to organize quantitative and qualitative information under conditions of uncertainty

Integrating Intuition & Analysis

Intuition is based on:

- Past experiences
- Judgment
- Feelings

Intuition is useful for decision making in conditions of:

- ❑ Great uncertainty
- ❑ Little precedent
- ❑ Highly interrelated variables
- ❑ Several plausible alternatives

Integrating Intuition & Analysis

Intuition & Judgment



Involve management at all levels

Influence all analyses

Adapting to Change

Organizations should continually monitor internal and external events and trends so that timely changes can be made as needed

Key Terms in Strategic Management

- Competitive advantage
- Strategists
- Vision and mission statements
- External opportunities and threats
- Internal strengths and weaknesses
- Long-term objectives
- Strategies
- Annual objectives
- Policies

Strategic Management is Gaining and Maintaining Competitive Advantage

Anything that a firm does especially well compared to rival firms

Achieving Sustained Competitive Advantage

1. Continually adapting to changes in external trends and events and internal capabilities, competencies, and resources

2. Effectively formulating, implementing, and evaluating strategies that capitalize on those factors

Strategists

```
graph TD; A([Strategists]) --- B[Gather Information]; A --- C[Analyze Information]; A --- D[Organize Information];
```

Gather Information

Analyze Information

Organize Information

Vision and Mission Statements

Vision Statement –

What do we want to become?

Mission Statement –

What is our business?

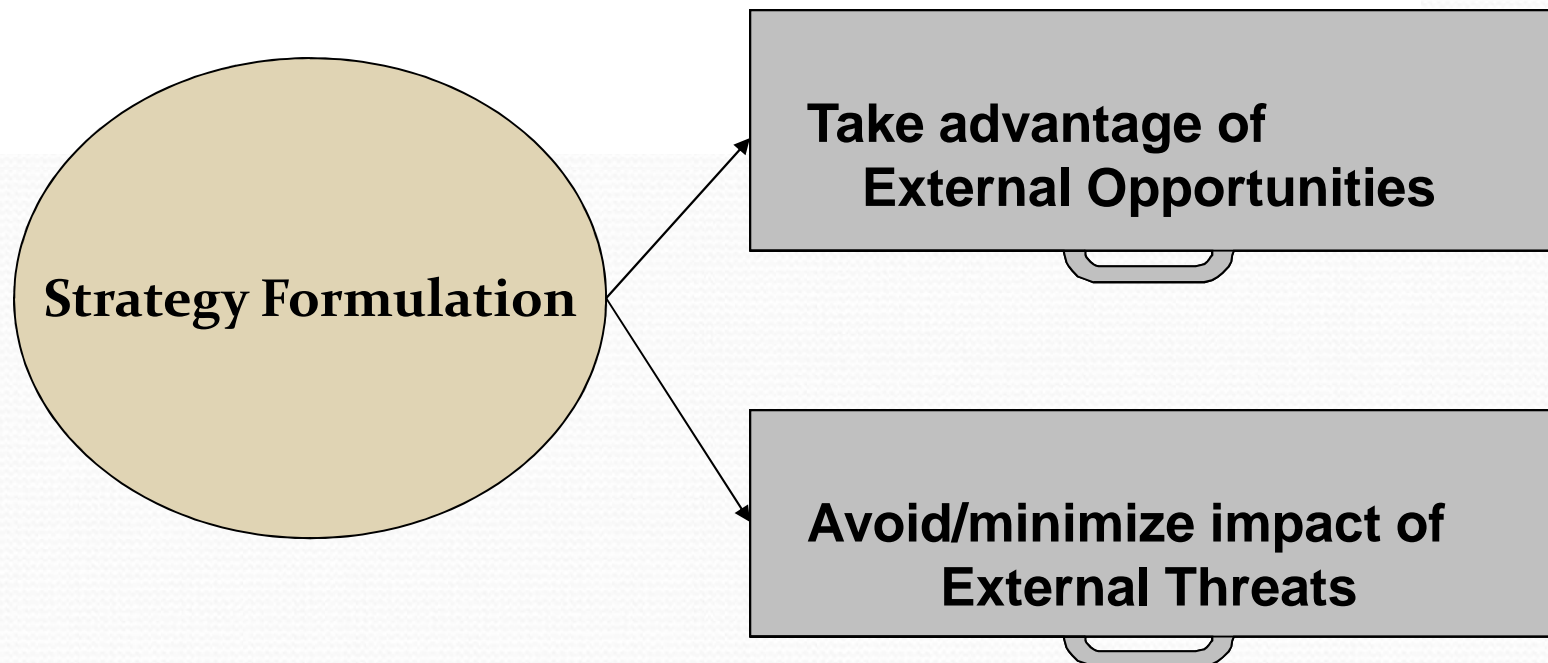
External Opportunities and Threats

Analysis of Trends

- Economic
- Social
- Cultural
- Demographic/Environmental
- Political, Legal, Governmental
- Technological
- Competitors

External Opportunities and Threats

Basic Tenet of Strategic Management



Internal Strengths and Weaknesses

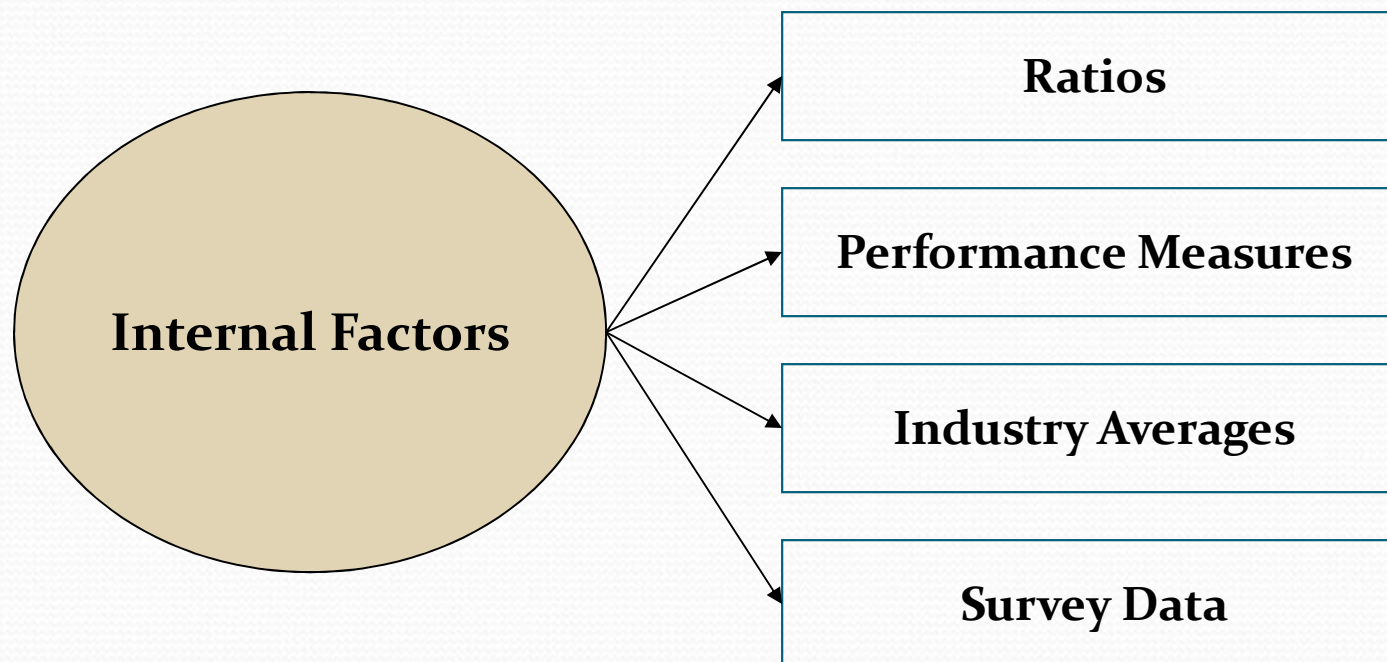
- Controllable activities performed especially well or poorly
- Determined relative to competitors

Internal Strengths and Weaknesses

- Typically located in functional areas of the firm
 - Management
 - Marketing
 - Finance/Accounting
 - Production/Operations
 - Research & Development
 - Management Information Systems

Internal Strengths and Weaknesses

Assessing the Internal Environment



Long-Term Objectives

- ❑ Specific results that an organization seeks to achieve in pursuing its basic mission
- ❑ Long-term means more than one year

Long-Term Objectives

- **Essential for ensuring the firm's success**
 - **Provide direction**
 - **Aid in evaluation**
 - **Create synergy**
 - **Reveal priorities**
 - **Focus coordination**
 - **Provide basis for planning, organizing, motivating, and controlling**

Assignments:

1. Strategic Management Model
2. Strategic Model Levels

Ends of Discussion