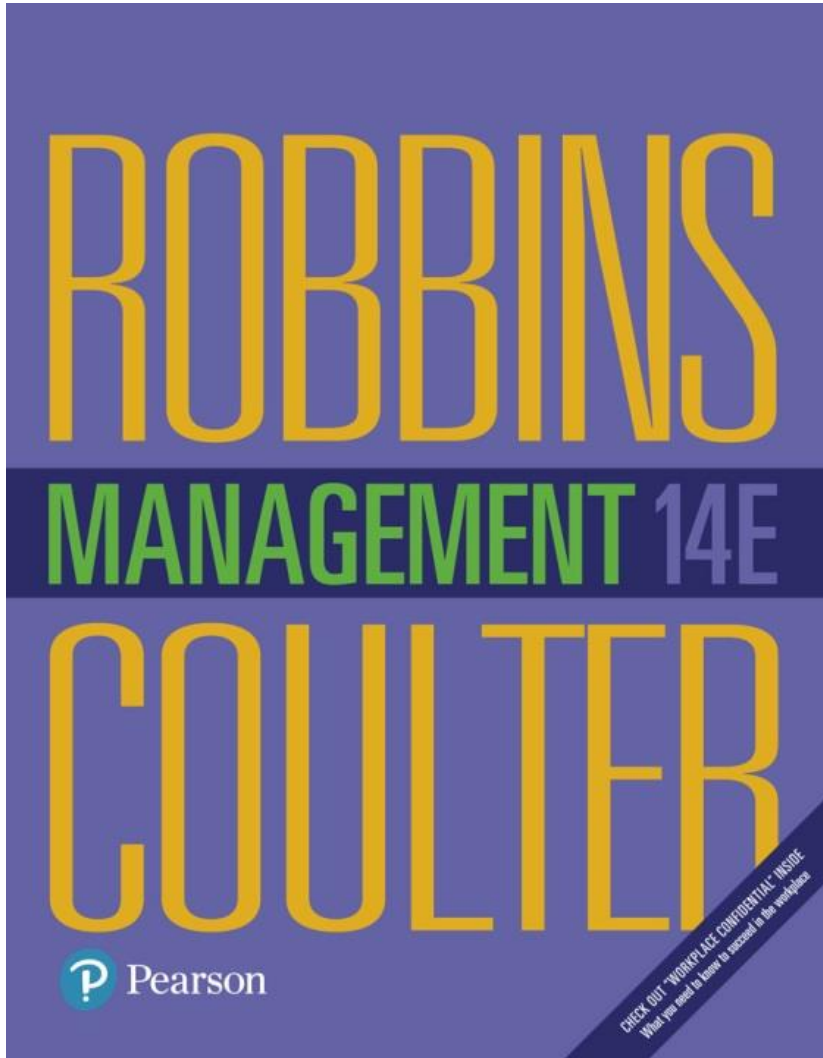


# Management

Fourteenth Edition



## Chapter 9 Managing Strategy

# What is Strategic Management?

- **Strategic management:** what managers do to develop the organization's strategies.
- **Strategies:** the plans for how the organization will do what it's in business to do, how it will compete successfully, and how it will attract and satisfy its customers in order to achieve its goals
- **Business model:** how a company is going to make money

# Why is Strategic Management Important?

- Has a positive impact on performance
- Helps managers decide how to act in face of change and uncertainty
- Helps complex and diverse organizations work together

# Exhibit 9-1

## Strategic Management Process

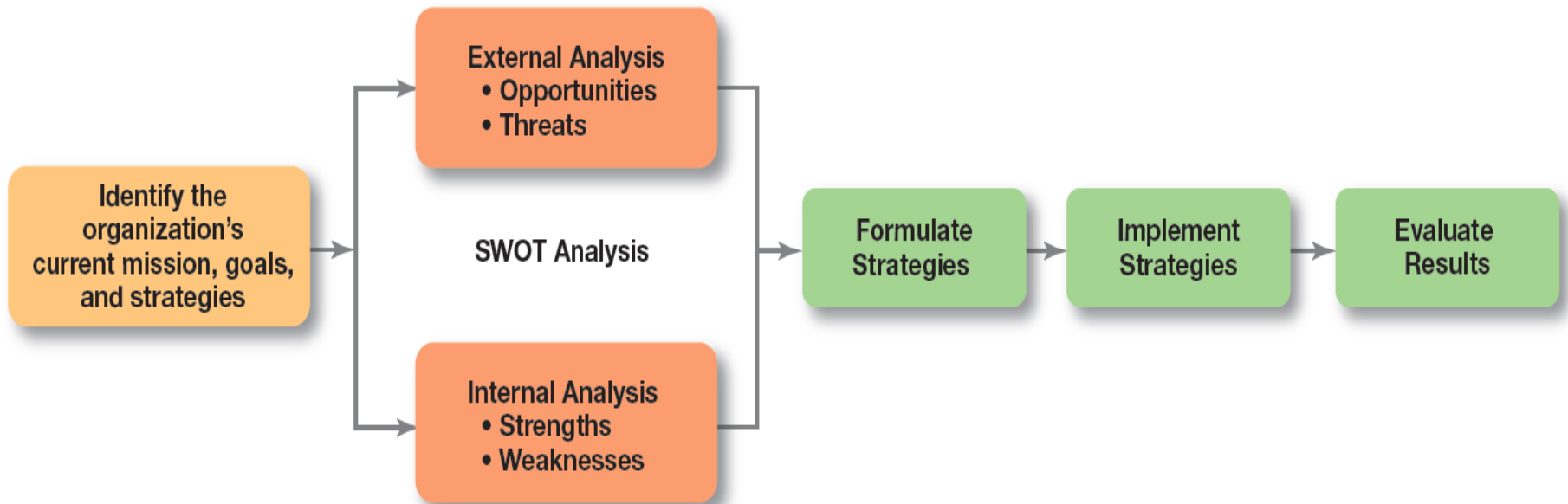


Exhibit 9-1 illustrates the six-step process of strategic management, which encompasses strategy planning, implementation, and evaluation.

# Step 1: Identifying the Organization's Current Mission, Goals, and Strategies

- **Mission:** the purpose of an organization

## Step 2: Doing an External Analysis

- **Opportunities:** positive trends in the external environment
- **Threats:** negative trends in the external environment

## Step 3: Doing an Internal Analysis

- **Resources:** an organization's assets that are used to develop, manufacture, and deliver products to its customers
- **Capabilities:** an organization's skills and abilities in doing the work activities needed in its business
- **Core competencies:** the organization's major value-creating capabilities that determine its competitive weapons

# SWOT Analysis

- **Strengths:** any activities the organization does well or its unique resources
- **Weaknesses:** activities the organization does not do well or resources it needs but does not possess
- **SWOT analysis:** an analysis of the organization's strengths, weaknesses, opportunities, and threats



## Step 4: Formulating Strategies

- Three main types of strategies managers will formulate:
  - Corporate
  - Competitive
  - Functional

## Step 5: Implementing Strategies

- No matter how effectively an organization has planned its strategies, performance will suffer if the strategies aren't implemented properly.

## Step 6: Evaluating Results

- How effective have strategies been at helping the organization achieve its goals
- What adjustments are necessary?

# Exhibit 9-3

## Types of Organizational Strategies

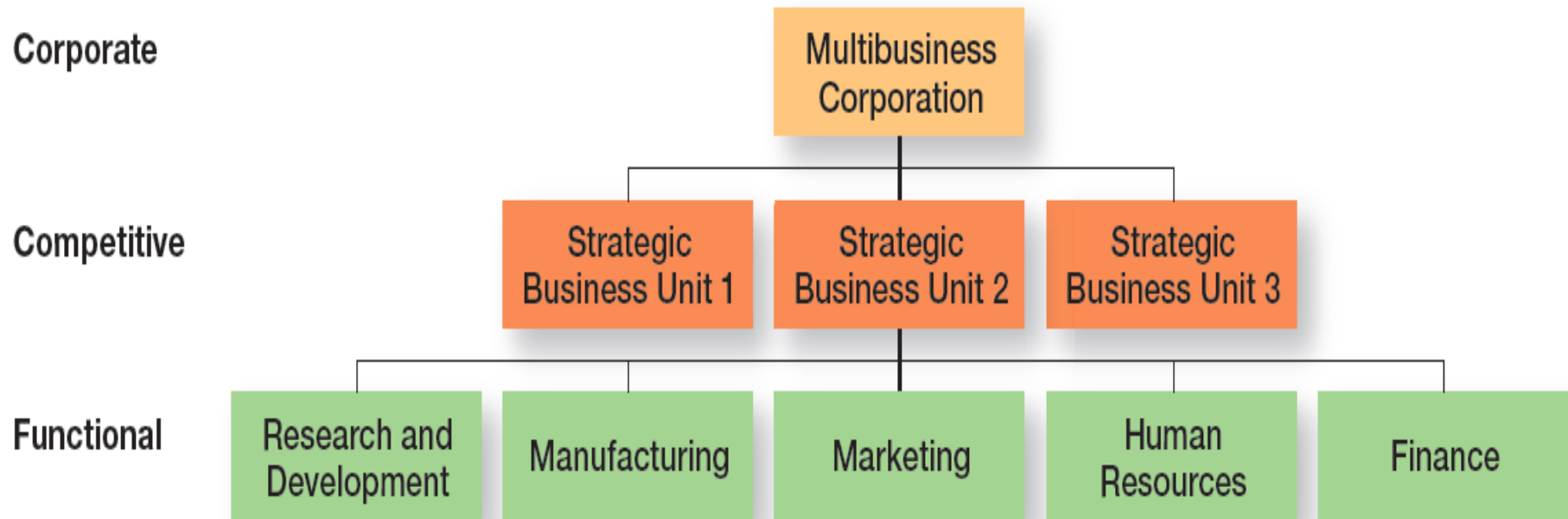


Exhibit 9-3 shows the three types of strategies organizations use: corporate, competitive, and functional.

# What is Corporate Strategy?

- **Corporate strategy:** an organizational strategy that determines what businesses a company is in or wants to be in, and what it wants to do with those businesses

# What Are the Types of Corporate Strategy?

- **Growth strategy:** a corporate strategy that's used when an organization wants to expand the number of markets served or products offered, either through its current business(es) or through new business(es)
  - Concentration
  - Vertical integration (Backward, Forward)
  - Horizontal integration
  - Diversification

# Stability and Renewal Strategies

- **Stability strategy:** a corporate strategy in which an organization continues to do what it is currently doing
- **Renewal strategy:** a corporate strategy designed to address declining performance

# How Are Corporate Strategies Managed?

- **BCG matrix:** a strategy tool that guides resource allocation decisions on the basis of market share and growth rate of SBUs
  - Stars
  - Cash cows
  - Question marks
  - Dogs



# Competitive Strategies

- **Competitive strategy:** an organizational strategy for how an organization will compete in its business(es)
- **Strategic Business Unit (SBU):** the single independent businesses of an organization that formulate their own competitive strategies

# Competitive Advantage

- **Competitive advantage:** What sets an organization apart; its distinctive edge
- **Types of Competitive Advantage:**
  - Quality
  - Design thinking
  - Social media

# Sustaining Competitive Advantage

- **Porter's Five Forces Model:**
  - Threat of new entrants
  - Threat of substitutes
  - Bargaining power of buyers
  - Bargaining power of suppliers
  - Current rivalry

<https://hbr.org/video/3590615226001/the-explainer-porters-five-forces>

# Choosing a Competitive Strategy

- Cost leadership strategy
- Differentiation strategy
- Focus strategy
- Stuck in the middle

# Functional Strategies

- **Functional strategies:** a strategy used by an organization's various functional departments to support the competitive strategy

# The Need for Strategic Leadership

- **Strategic leadership:** the ability to anticipate, envision, maintain flexibility, think strategically, and work with others in the organization to initiate changes that will create a viable and valuable future for the organization

# Exhibit 9-4

## Effective Strategic Leadership



Exhibit 9-4 shows the eight key dimensions of strategic leadership.

# The Need for Strategic Flexibility

- **Strategic flexibility:** the ability to recognize major external changes, to quickly commit resources, and to recognize when a strategic decision was a mistake



# Important Organizational Strategies for Today's Environment

- E-Business strategies
- Customer service strategies
- Innovation strategies
  - **First mover:** an organization that's first to bring a product innovation to the market or to use a new process innovation

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