

BA 291 – Strategic Management

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If you know your enemies and know yourself, you will not be imperiled in a hundred battles; if you do not know your enemies but do know yourself, you will win one and lose one; if you do not know your enemies nor yourself, you will be imperiled in every single battle

Sun Tzu, The Art of War

Strategic Management

The set of decisions and actions used to formulate and implement strategies that will provide a competitively superior fit between the organization and its environment so as to achieve organizational goals



Strategy

Strategy is a plan of action that prescribes resource allocation and other activities for dealing with the environment, achieving a competitive advantage, that help the organization attain its goals



- Where is the business trying to get to?
- In which market should business compete?
- How to perform better than competitor?
- Which resources are required?
- What are the expectations of customers and stakeholders?

Exploit Core competencies

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Core competence: the singular capability among a portfolio of capabilities that can lend the company a distinctive and sustainable competitive advantage. A core competence is something a company does especially well in comparison to its competitors.

A core competence should be:

- Valuable
- Rare
- Difficult to imitate



Build Synergy

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Synergy: The condition that exists when the organization's parts interact to produce a joint effect that is greater than the sum of the parts acting alone



Creating Value

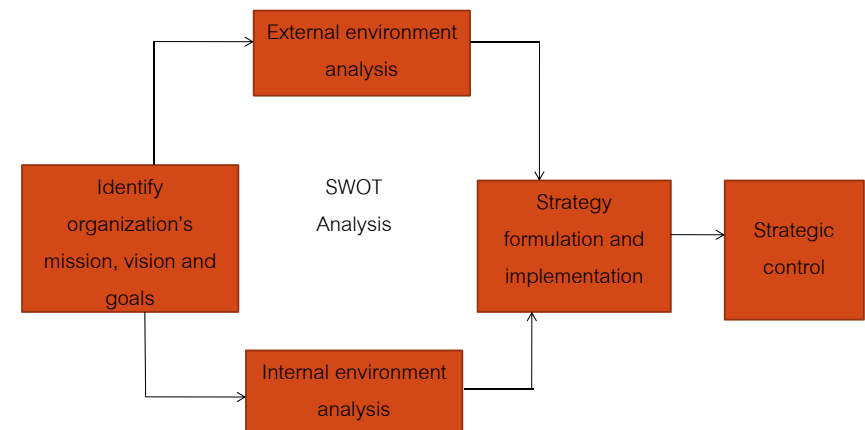
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- Delivering value to the customer is at the heart of the strategy
- Value can be defined as the combination of benefits received and cost paid.
- Choose the right business model, which is a strategic design for how a company intends to profits from its strategies, work processes and activities.



The Strategic Management Process

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Management and Organization

- Management quality
- Staff quality
- Degree of centralization
- Organization charts
- Planning, information, control systems

Finance

- Profit margin
- Debt-equity ratio
- Inventory ratio
- Return on investment
- Credit rating

Marketing

- Distribution channels
- Market share
- Advertising efficiency
- Customer satisfaction
- Product quality
- Service reputation
- Sales force turnover

Production

- Plant location
- Machinery obsolescence
- Purchasing system
- Quality control
- Productivity/efficiency

Human Resources

- Employee experience, education
- Union status
- Turnover, absenteeism
- Work satisfaction
- Grievances

Research and Development

- Basic applied research
- Laboratory capabilities
- Research programs
- New-product innovations
- Technology innovations



Corporate-Level Strategy:

What business are we in?

Corporation

Business-Level Strategy:

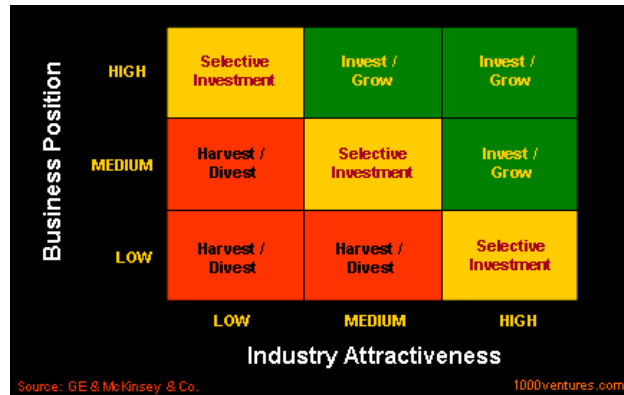
How do we compete?

Textiles Unit Chemicals Unit Auto Parts Unit

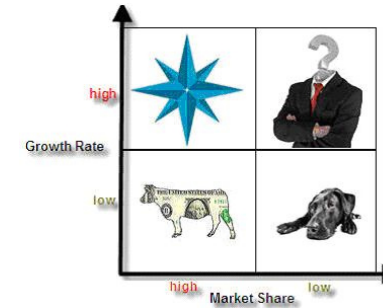
Functional-Level Strategy:

How do we support the business-level strategy?

Finance R&D Manufacturing Marketing



Portfolio strategy: The organization's mix of strategic business units and product lines that fit together in such a way as to provide the corporation with synergy and competitive advantage



Example: General Electric (GE)

GE has been reshuffling the corporation's mix of business in a way that will give GE a better position in the long run. GE is investing heavily in its stars and question marks to ensure that its portfolio will continue to include cash cows in a future that might be very different from today's world.

What are stars, question mark, cash cow? What do you think?

STRATEGIC ADVANTAGE

	Uniqueness Perceived by the Customer	Low Cost Position
Industrywide	DIFFERENTIATION	OVERALL COST LEADERSHIP
Particular Segment Only	FOCUS	

Cost leadership

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An integrated set of actions designed to produce or deliver goods or services at the lowest cost relative to competitors.

Cost saving actions required by this strategy:

- building efficient facilities, lower waste in manufacturing process
- tightly controlling production costs and overhead
- minimizing costs of sales, R&D and service
- monitoring costs of activities provided by outsiders
- simplifying production processes (mass production, mass customization) – economies of scale

Differentiation

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The attempt to distinguish products or services from that of competitors
(think “out of the box”)



Focus strategy

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A focus strategy must exploit a narrow target's differences from the balance of the industry by:

- isolating a particular buyer group
- isolating a unique segment of a product line
- concentrating on a particular geographic market
- finding their “niche”

Focus strategy

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Factors driving focus strategy

- Large firms overlook small niches
- Firm may lack resources to compete in the broader market
- May be able to serve a narrow market segment more effectively than can larger industry-wide competitors
- Focus may allow the firm to direct resources to certain value chain activities to build competitive advantage

Functional –level strategies are the action plans adopted by major department to support execution of business level strategy.

- concerned with coordinating the functional areas of the organization (marketing, finance, human resources, production, research and development, etc.)



Strategy Implementation: stage of strategic management that involves the use of managerial and organizational tools to direct resources toward achieving strategic outcomes

