Learning Objectives:

1. **Define strategic management and its four key attributes**

**Define: strategic management**

- ‘consisting of the analyses, decisions and actions an organisation undertakes to create and sustain competitive advantages’

**Discuss the four key attributes of strategic management**

1. Directs the organisation towards overall goals and objectives
   - overall goals of the firm rather than single functional areas
2. Includes multiple stakeholders in decision making
   - focussing on one stakeholder will not lead to success
3. Needs to incorporate short term and long term perspectives
   - must have a vision for the future while also focusing on present needs.
4. Recognises trade-offs between efficiency and effectiveness
   - Example: British bus company: ‘it is impossible for drivers to make schedule if they must stop for passengers’
   - ambidexterity: manager’s challenge to both align resources to take advantage of existing product markets as well as proactively exploring new opportunities

2. **Describe the strategic management process and its three interrelated and principal activities**

strategic analysis, strategy formulation and strategy implementation.

**Henry Mintzberg’s Realised and Intended Strategy:**
Intended strategy: strategy in which organisational decisions are determined only by analysis

Unrealised strategy: Unforseen developments, resource constraints or changes in managerial preferences may result in some parts of the intended strategy becoming unrealised.

Emergent strategy: good managers will take advantage of new opportunities created by the environment

- Example: GE Wind energy: demand grew as a result of favourable legislation & falling clean energy costs

Realised strategy: strategy in which organisational decisions are determined by a mix of deliberate strategy based on analysis and emergent strategy in response to environmental circumstances.

Strategy
- a firm’s model of creating a competitive advantage
- strategy is about which industry to compete in (corporate strategy) and how to compete (what you do differently vis-à-vis competitors –business strategy)
- strategy studies why some persistently outperform others (ie rents – persistent abnormal profits)

3. Explain the vital role of corporate governance and stakeholder management as well as how ‘symbiosis’ can be achieved among an organisation’s stakeholders

Stakeholder management:

Define: stakeholder management: a firm’s strategy for recognising and responding to the interests of all its significant stakeholders

Define: corporate governance – the relationship among various participants in determining the direction and performance of corporations. The primary participants are: 1. shareholders, 2. management, 3. board of directors

Perspective 1: Zero-sum
- stakeholders compete for the firm’s attention and resources
- one’s gain is another’s loss

Perspective 2: Symbiotic View
- recognises that stakeholders are dependent upon each other for their success – organisations can achieve mutual benefit through symbiosis.
  — Example: P&G’s concentrated laundry liquid: customer convenience, retailer convenience (store space), easier for shippers and wholesalers and good for environment
4. Discuss the importance of social responsibility, including environmental sustainability, and how it can enhance a corporation’s innovation strategy

Shared value: policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in which it operates (e.g. excess product packaging – expensive and environmentally costly)

Example: Dell buying back old computers for recycling and making money.

triple bottom line: assessment of a firm’s financial, social, and environmental performance.

5. Discuss the greater need for empowerment throughout an organisation

Everyone must be involved in the strategic management process:
- local line leaders
- executive leaders
- internal networkers

6. How can an awareness of a hierarchy of strategic goals help an organisation achieve coherence in its strategic decision?

Core beliefs and values:
- reflect fundamental beliefs about how things should be done: how the company does business and what it stands for
- intrinsic drive: not held in order to achieve competitive advantage
- three types of values:
  — fundamental ethical values
  — professional values (excellence, teamwork)
  — specific commitments to particular stakeholder groups

Example: HP’s values

- Trust and respect for individuals
- Achievement and contribution
- Results through teamwork
- Meaningful innovation
- Uncompromising integrity

- values may not be articulated: they are communicated through actions and behaviours of managers

Vision:

Definition: a vision is the company’s long term aspirations: what the company wants to become. It should be a big hairy audacious goal (BHAG); a goal that is daunting, compelling, tangible,
achievable and one that resonates with people. It may be accompanied by an elaborate statement, which describes what it would look like to achieve the firm’s BHAG. The BHAG should be a goal that is 10-30 years away. This requires thinking beyond the current capabilities of the organisation and the current environment, forcing the executive team to be visionary rather than strategic or tactical.

Mission:

Business Models:
- a business model tells a story about:
  - who your customers are [customer clusters]
  - what they value
  - how you provide value to the customer [value proposition]
  - how you plan to make money by providing them that value [revenue model]
- a well thought-out business model also enables you to test and revise your assumptions about customers, think rigorously about your business and align employees behind your company’s mission.
- powerful business models pass two tests
  - the narrative test: market validation
    - tells a logical story about who your customers are, what they value and how you’ll make money
    - either you make something that satisfies an unmet need (American Express), or sell something in an innovative way (Eastern Exclusive vouchers)
  - the numbers test: economic feasibility
    - assumptions about customers must tie in with sound economics (ie. failure of online groceries)

EXAM QUESTIONS

Why does a firm need a strategy? (2010) 15 marks

There are two opposing views of how firms should be managed: in the interest of shareholders or in the interest of stakeholders. Contrast the two perspectives (2011) 15 marks

While maximising long-run profitability is the ultimate objective of strategic management, it provides little purpose, guidance and direction to the company, neither does profit maximisation capture the imagination of employees. Consequently a firm’s vision, mission and values statement needs to be formulated. Discuss. (2012) 10 marks

SUMMARY REVIEW QUESTIONS

1. How is strategic management defined and what are its four key attributes?
2. Briefly discuss the three activities in the strategic management process. Why is it important for managers to recognise the interdependent nature of these activities