

Chapter 15 Strategic management

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- Considers organization environment (internal and external) to identify SWOT
- Provides direction and intent to organization
- Id most suitable ways of creating value for stakeholders
- Provide system to co-ordinate management activity throughout organization

1. Strategic management

- Overall purpose is to ensure consistency in management or organization
- Selected strategic need to be consistent with opp and threats of external environment
- Selected strategic need to be consistent with core and distinctive capabilities
- See table 15.1 on page 533 management diff organization levels
- Good strategic management 3 outcomes:
 - Optimizes consistency between diff levels of management
 - Optimizes consistency between organization and internal and external environment
 - Leads to sustained performance higher than industry norm = sustainable competitive advantage

2. Strategic management process

- Strategic process
- Strategic objectives
- External environment analysis
- Internal analysis
- Selections of strategies
- Strategy implementation
- Strategic control

2.1. Strategic direction and control

- Direction consist of vision and mission
- Vision – dream of original founder
- Mission – grounded expression of overall purpose or organization
- Gamble and Thompson = vision is long term future view of top management of product – customer – maker – technology focus on organization
- Characteristics of vision statements:
 - Should serve as inspiration to stakeholders
 - Should inspire commitment and confidence
 - Should be short enough to remember
 - Should be closely identified with organization
 - Contain some indication of future direction
- Mission = expression of current focus + long term purpose of organization
- First step in process to dev objectives
- Should be SMART
- Should not just be financial but cover other areas as well
- Balanced scorecard developed for this reason:
- It addresses:

- Financial objectives
- Customer objectives
- Internal processes
- Learning and growth
- Next level functional objectives – 1 year
- Then operational objectives – day to day

2.2. External environment analysis

- Purpose to identify opportunities and threats
- Opportunities – those forces that will allow organization to meet or exceed in strategic objectives
- Threats – constrain organization to attain objectives

2.3. Internal analysis

- Purpose to discover strengths and weaknesses
- Organization can become successful by exploring their assets and capabilities

2.4. Strategic choice

- Selecting those strategies that will help it attain strategic objectives
- Michael Porter – notion of generic strategic
- Generic strategic :
 - Differentiation
 - Cost leadership
 - Focus
- Differentiation strategic = organization competitive advantage stems from higher prices customers are willing to pay for perceived quality
- Cost leadership = ability to produce products at lower production cost
- Focus strategy = organizational attempts to gain dominance in narrow segment of market

2.5. Strategy implantation

- Doing part
- Where organization and leading take place to ensure strategic are implemented effectively and efficiently
- Strategy is aligned with internal environment
- Takes place around 3 key aspects:
 - Alignment of business and functional strategies
 - Alignment of leadership and culture
 - Creation of technology systems and organization processes to support strategy

2.5.1. Alignment of business and functional strategies

- Takes place through hierarchy of objectives

2.5.2. Leadership and culture

- Cultural web consists of:

Routines

- The way things are done around here

Rituals

- Activities through which organization enforces its values

Stories

- Told inside and outside about events and individuals

Symbols

- Logos, buildings, vehicles

Power structures

- Influences the way organization thinks about environment and business

Control systems

- Measurement and award systems that help shape behaviour

Organizational structure

- Reflects network of formal relationships and power structures in organization

Paradigm

- Overall picture of how employees think of their organization
- Key reasons why culture is misaligned with strategic efforts or organization:
 - Sometimes leaders do not embody culture that best fits the strategic direction
 - Some leaders follow “do as I say” not “do as I do”
 - Excessive focus on hard systems

2.5.3. Competencies, technology and processes

- 3 additional aspects that influence implementation of strategy:
 - Competencies
 - Technology
 - Processes
- Organization must ensure individuals have the right competencies
- Production, information and communication technologies important role
- Integrated process needed to deliver results

2.6. Strategic control

- Strategic control needs to:
 - Be forward looking as well as backward looking
 - Have internal and external focus

- Be able to manage by exception – focus on big issues
- Be actionable – support strategic decision making
- Be systematic – continuous process
- Strategic management highly dependant on ongoing generation of info regarding organization, environment and performance relative to competitors
- Typical organization engage in environmental scanning (competitive intelligence) that focus on external environment
- Internal information (business intelligence systems) to provide info on organization performance
- Information from these 2 streams are different so organization needs integrating mechanisms to analyze information
- Information needs to satisfy quality criteria:
 - Richness - how should it look
 - Reach – who is it intended for
 - Affiliation – where does it come from
- Ultimate goal of information = proved strategic just-in-time decision support
- Value lies in quality of information
- 2 categories for quality:
 - Form, content and time
 - Richness and reach of information
- Information if only valuable when it is in format to use
- Appropriate for use and available when required

2.6.1. Competitive intelligence

- Environment scanning
- Because of vast amount of info available competitive intelligence process focus on key intelligence topics:
- Most important sources of competitive intelligence is:
 - Information in public domain
 - Human intelligence
 - Customers

2.6.2. Business intelligence

- Integrate various information systems to make info available to decision makers
- Online analytical processing (OLAP) provides means for users to view data from data warehouse in a multidimensional format
- Data mining – analytical process
 - Statistical techniques
 - Artificial intelligence
 - Database research
- Executive information systems (EIS) = operational data represented in charts, tables and reports
- Overall performance – digital dashboards
- Following benefits:
 - Visual presentation of performance measures
 - Ability to id and correct negative trends
 - Measurement of efficiencies and inefficiencies
 - Ability to generate report showing new trends
 - Make more informed decisions on collected business intelligence

- Alignment strategic and organization goals
 - Time saving when running multiple reports
 - Total visibility of all systems instantly
- Business intelligence provides means of tracking strategic implementation and ensuring strategic alignment between diff levels of strategy
- Business strategy alignment = alignment of business unit function with function of information for effective use of info

2.6.3. Integrating mechanisms

- To ensure that all available data is integrated, analyzed and presented to management decision makers in such a way that is supports decision making process
- Integration can be done by:
 - People
 - Processes
 - Technology