

2210 Strategic Management

Week1 What is Strategy

Strategy as narrative

- How an org interpret what's happening in a changing env, brings that knowledge to the org

Back to the beginning

- Founder of Strategic Management: Igor Ansoff

Military tradition of strategy

Founder of Strategic Management: Igor Ansoff

- War teaches strategy
- Strategy forms the plan of the war and to this end it links tgt the series of acts which are to lead to the final decision, that is to say, it makes the plans for the separate campaigns and regulates the combats to be fought in each

'Homo economicus'

- Rational planning: top-down control
- Profit maximisation

A.P. Sloan

- A firm's fundamental strategic problem was positioning of the firm in those markets in which maximum profits could be earned
- Focus on *structure* of org
- Positioning to maximize profits

A D Chandler

- **Structure follows strategy** (component)
- Importance of structure
- Strategy is:
"The determination of the basic, long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for those goals"

Igor Ansoff

- Focus on decisions
- **Strategy is about planning**
- Strategy as common thread across 4 main areas of a firm's activities

Enter the consulting firms

- Strategy is created at the intersection of an external appraisal of threats and opportunities facing an organisation and an internal appraisal of its strengths and weaknesses

Enter Michael Porter

- Strategy formation as analytical
- Strategies are generic
- Clear separation between formulation and implementation (matter of control)
- Strategy is the creation of a unique or valuable position involving a different set of activities
- Michael Porter defined the two types of competitive advantage an organization can achieve relative to its rivals: lower cost or differentiation
- Strategic management should be concerned with building and sustaining competitive advantage

Karl Weick

- Bounded rationality
- Organisations are collections of choices
- Less top-down control

MINTZBERG

- Strategy *continuous* and iterative
- Sees **strategy as a process** within which strategy emerges from a combination of influences within the organization
- Represents a set of pragmatic compromises between various stakeholders in the organization

Strategic Management Process:



Deliberate versus emergent strategy:

- | | |
|---|---|
| - Deliberate strategy (Plan): | - Emergent strategy (Process): |
| - Close relationship between intended and realized strategy | - No intention, rather clear pattern of behaviour |
| - Focus on external | - Continuum - intention, choice and pattern of formation. |
| - Focus on fit | |

Strategy:

- Concerns both organisation and environment
- Is complex
- Affects overall welfare of the organisation
- Involves issues of content and process
- Never purely deliberate
- Involves various thought processes

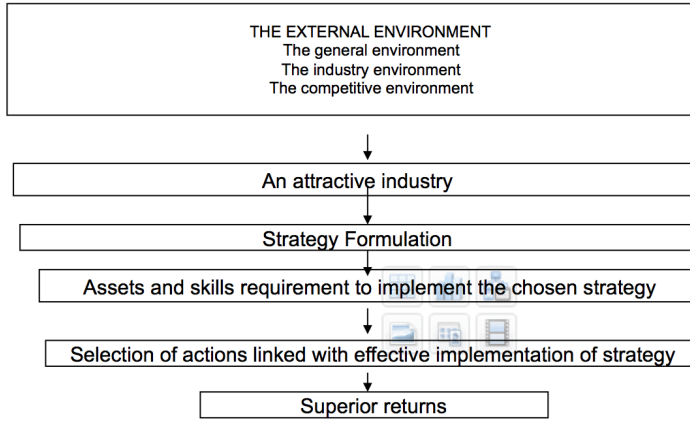
Strategic Management's 4 Characteristics:

- Interdisciplinary
- Externally focused
- Internally focused
- Future focused

Strategy and Performance:

- Everyone in an organisation plays a role in managing strategically
- Viability
- Sustained competitive advantage

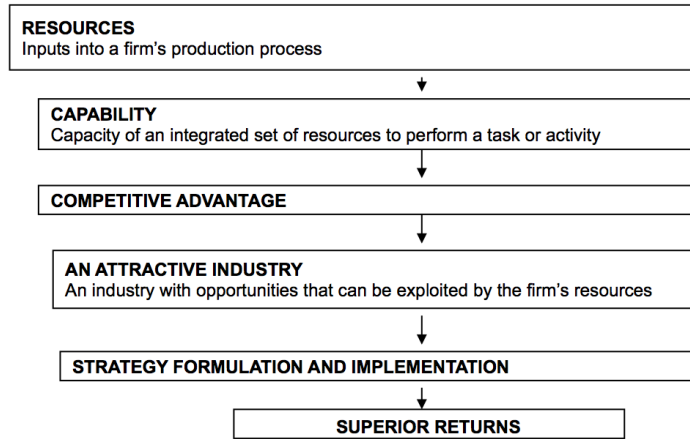
Industrial Organization Review of the Firm



- *E/ee learning and growth*: How do we enable ourselves to grow and change, meeting ongoing demands; e/ee attitudes
- *Financial*: How do we add value for customers while controlling costs



The Resource Based Model Of Above Average Returns



Objectives of BSC

- To articulate the strategy of the business
- To communicate the strategy of the business
- To help align individual, organisational, and cross-departmental initiatives to achieve a common goal
- As a communication, information, and learning system, not as a traditional control system

Financial Outcomes

- Define the LR objectives of the business unit
- 3 stages life cycle
 - o Rapid growth
 - o Sustain
 - o Harvest

The Balanced Scorecard

- A tool for motivating and measuring business unit performance
- Four key perspectives:
 - o Finance
 - o Customer
 - o Internal Business Processes
 - o Learning and Growth

Type of measures

- Outcome measures
- Performance drivers of those outcomes
- Alignment
- Balanced Scorecard (BSC) is a communication, information and learning system:
 - o Articulating a strategy
 - o Communicating a strategy
 - o Aligning with the strategy

BSC Info Graphic

- *Customer*: Who do we define as our customer? How do we create value for our customer?
- *Internal Process*: To satisfy customers while meeting budgetary constraints, at what business processes must we excel?

Rapid growth:

- Emphasising sales growth: new products and services, customers, segments
- Maintaining adequate spending levels for product process development, systems, employee capabilities
- Establishing new marketing, distribution channels.

Sustain:

- Emphasise returns on invested capital, operating income and grow margin
- Employ measures such as shareholder value
- Investment projects will be more directed to relieving bottlenecks, expanding capacity, and enhancing continuous improvement

Harvest:

- Stress/Maximise cash flow back to the corporation
- Immediate return on investment
- Very little or no spending on R&D, or on expanding capabilities.

Three financial themes to achieve any above strategies:

- Revenue growth and mix
 - o Expanding product and service offerings, reaching new customers and markets, changing the products and services mix towards higher-value-added offerings, and re-pricing products and services