

CHAPTER 1

basic concepts of Strategic Management

STRATEGIC MANAGEMENT & BUSINESS POLICY
13TH EDITION

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1.1 The Study of Strategic Management

Strategic Management: a set of managerial decisions and actions that determines the long-run performance of a corporation.

Includes:

- Internal and external environment scanning
- Strategy formulation
- Strategy implementation
- Evaluation and control

1.1 The Study of Strategic Management

Phases of Strategic Management:

- Phase 1: Basic financial planning
- Phase 2: Forecast-based planning
- Phase 3: Externally oriented strategic planning
- Phase 4: Strategic management

1.1 The Study of Strategic Management

Benefits of Strategic Management:

- Clearer sense of strategic vision for the firm
- Sharper focus on what is strategically important
- Improved understanding of a rapidly changing environment

1.1 The Study of Strategic Management

Additional Benefits of Strategic Management:

- Improved organizational performance
- Achieves a match between the organization's environment and its strategy, structure and processes
- Important in unstable environments
- Strategic thinking
- Organizational learning

1.2 Globalization and Environmental Sustainability: Challenges to Strategic Management

Impact of Globalization:

Globalization: the integration and internationalization of markets and corporations

1.2 Globalization and Environmental Sustainability: Challenges to Strategic Management

Impact of Environmental Sustainability:

Environmental Sustainability: the use of business practices to reduce a company's impact on the natural, physical environment

1.2 Globalization and Environmental Sustainability: Challenges to Strategic Management

Impact of Environmental Sustainability

Risks of Climate Change include:

- Regulatory risk
- Supply chain risk
- Product and technology risk
- Litigation risk
- Reputational risk
- Physical risk

1.3 Theories of Organizational Adaptation

Population ecology: established organizations are unable to adapt to change

Institution theory: organizations adapt by imitating successful organizations

1.3 Theories of Organizational Adaptation

Strategic choice perspective: organizations adapt to change and have the ability to reshape their environment

Organizational learning theory: organizations adapt defensively and use knowledge to improve their relationship with the environment

1.4 Creating a Learning Organization

Strategic flexibility: the ability to shift from one dominant strategy to another and requires:

- Long-term commitment to the development and nurturing of critical resources
- Learning organization

1.4 Creating a Learning Organization

Learning organization: an organization skilled at creating, acquiring, and transferring knowledge and at modifying its behavior to reflect new knowledge and insights

1.4 Creating a Learning Organization

Main activities of a learning organization include:

- Solving problems systematically
- Experimenting with new approaches
- Learning from past experience, history and experiences of others
- Transferring knowledge quickly and easily throughout the organization

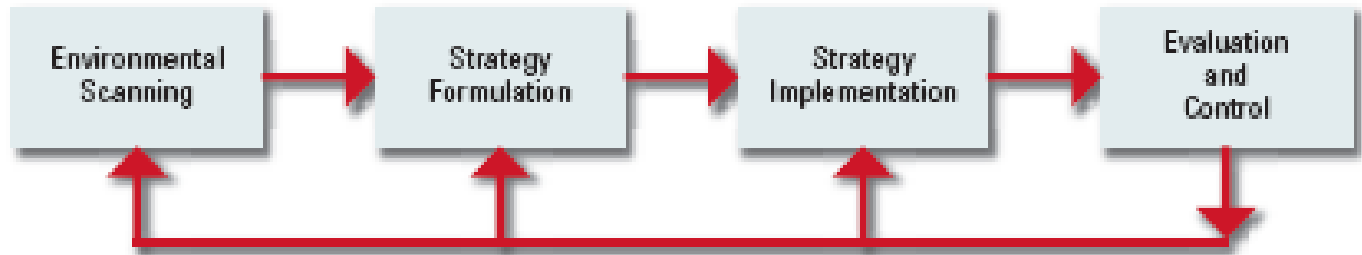
1.5 Basic Model of Strategic Management

Basic Elements of Strategic Management

1. Environmental scanning
2. Strategy formulation
3. Strategy implementation
4. Evaluation and control

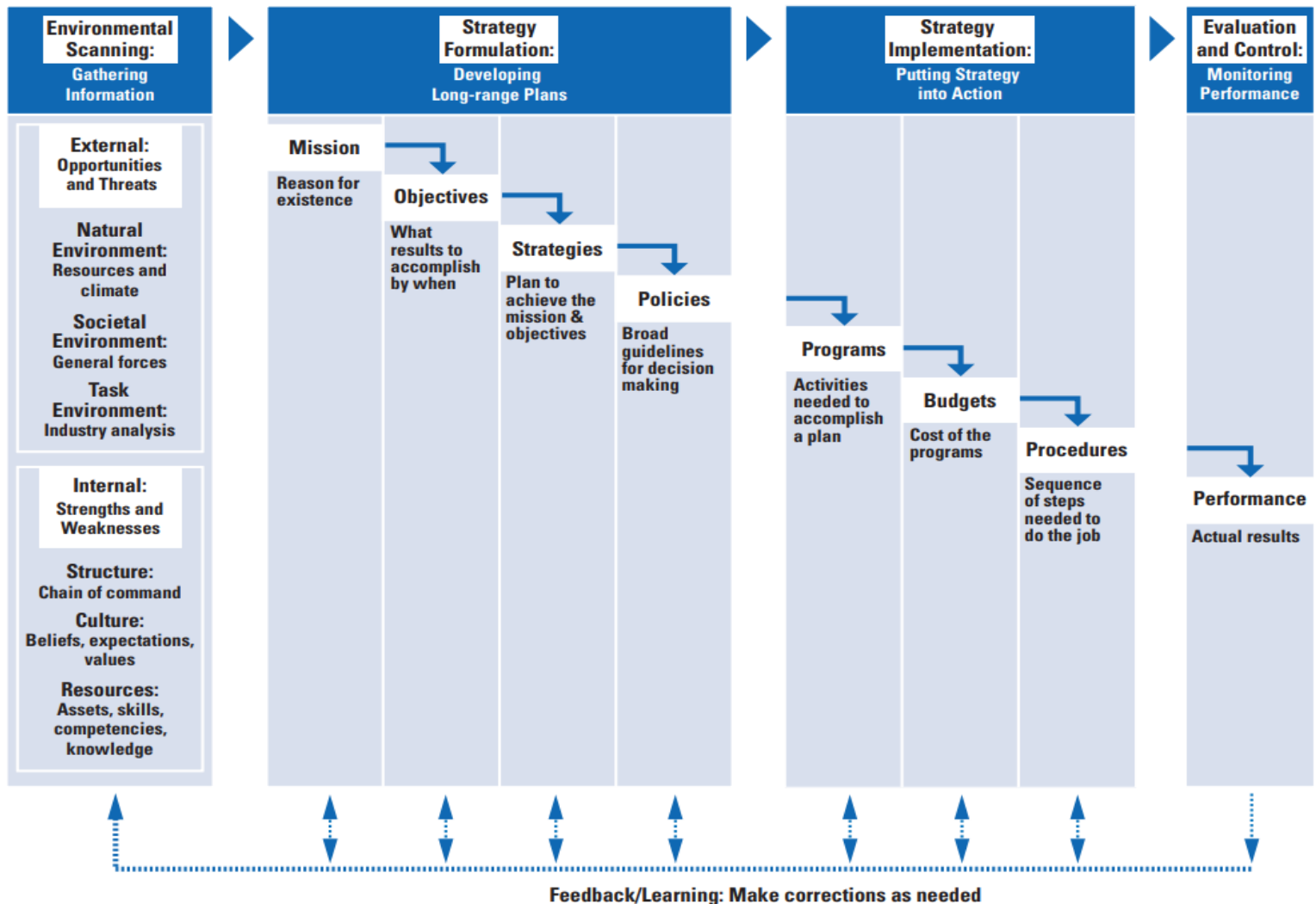
1.5 Basic Model of Strategic Management

FIGURE 1-1
Basic Elements of
the Strategic
Management
Process



1.5 Basic Model of Strategic Management

FIGURE 1-2 Strategic Management Model



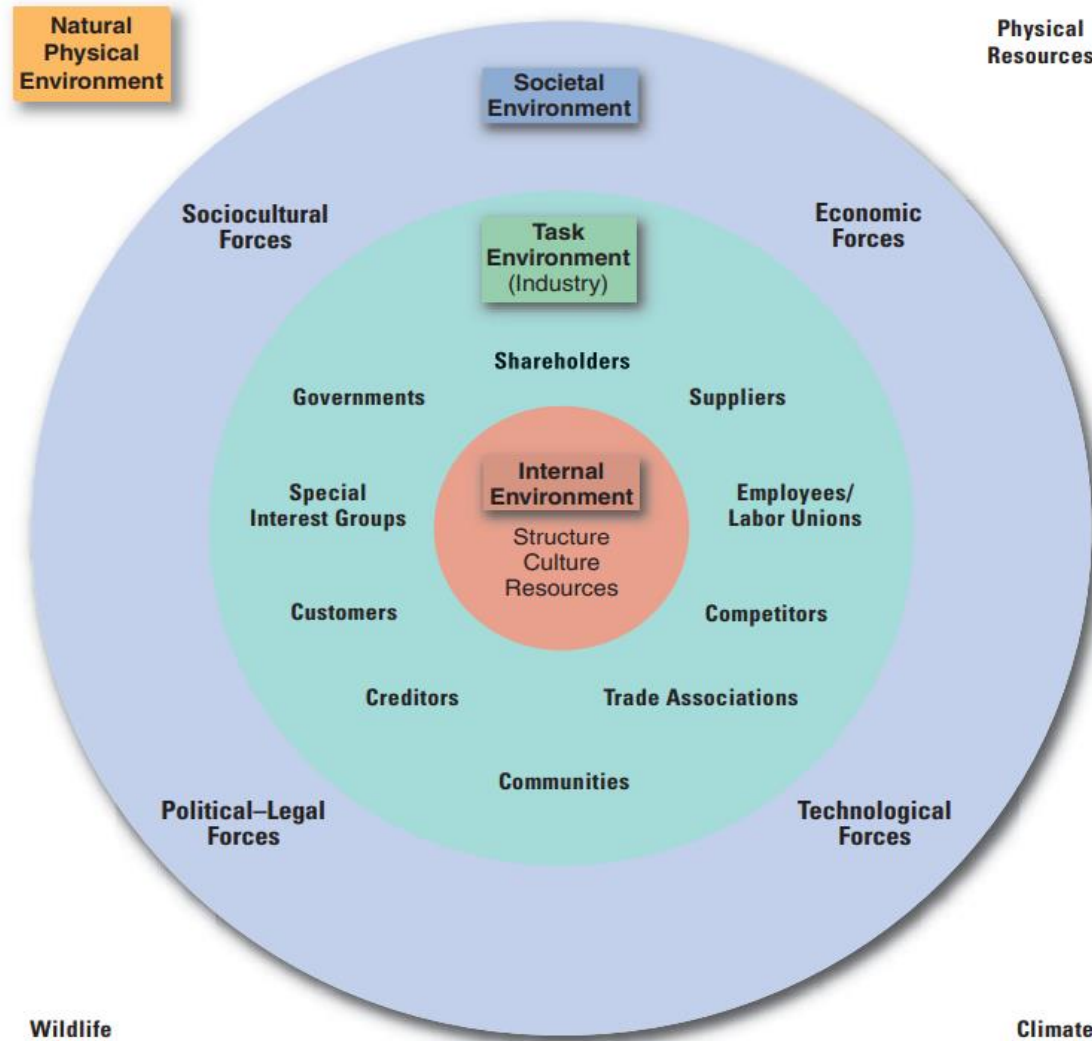
1.5 Basic Model of Strategic Management

Basic Elements of Strategic Management

Environmental Scanning is the monitoring, evaluating and disseminating of information from the external and internal environments to key people within the organization

1.5 Basic Model of Strategic Management

FIGURE 1-3 Environmental Variables



1.5 Basic Model of Strategic Management

Basic Elements of Strategic Management

Strategy Formulation: the development of long-range plans for the effective management of environmental opportunities and threats in light of organizational strengths and weaknesses (SWOT)

1.5 Basic Model of Strategic Management

Basic Elements of Strategic Management

Mission- the purpose or reason for the organization's existence

Vision- describes what the organization would like to become

Objectives- the end results of planned activity

1.5 Basic Model of Strategic Management

Basic Elements of Strategic Management

Strategies- form a comprehensive master plan that states how the corporation will achieve its mission and objectives

- Corporate
- Business
- Functional

Policies- the broad guidelines for decision making that links the formulation of a strategy with its implementation

1.5 Basic Model of Strategic Management

FIGURE 1-4
Hierarchy
of Strategy



1.5 Basic Model of Strategic Management

Basic Elements of Strategic Management

Strategy implementation: the process by which strategies and policies are put into action through the development of:

- Programs
- Budgets
- Procedures

1.5 Basic Model of Strategic Management

Basic Elements of Strategic Management

Evaluation and control: the process in which corporate activities and performance results are monitored so that actual performance can be compared to desired performance

1.5 Basic Model of Strategic Management

Basic Elements of Strategic Management

Performance: the end result of organizational activities

Feedback/Learning Process: revise or correct decisions based on performance

1.6 Initiation of Strategy: Triggering Events

Triggering event: something that acts as a stimulus for a change in strategy and can include:

- New CEO
- External intervention
- Threat of change of ownership
- Performance gap
- Strategic inflection point

1.7 Strategic Decision Making

What Makes a Strategic Decision?

Strategic decision making focuses on the long-run future of the organization

Characteristics of strategic decision making include:

- Rare
- Consequential
- Directive

1.7 Strategic Decision Making

Mintzberg's Modes of Strategic Decision Making

- Entrepreneurial
- Adaptive
- Planning
- Logical incrementalism (Quinn)

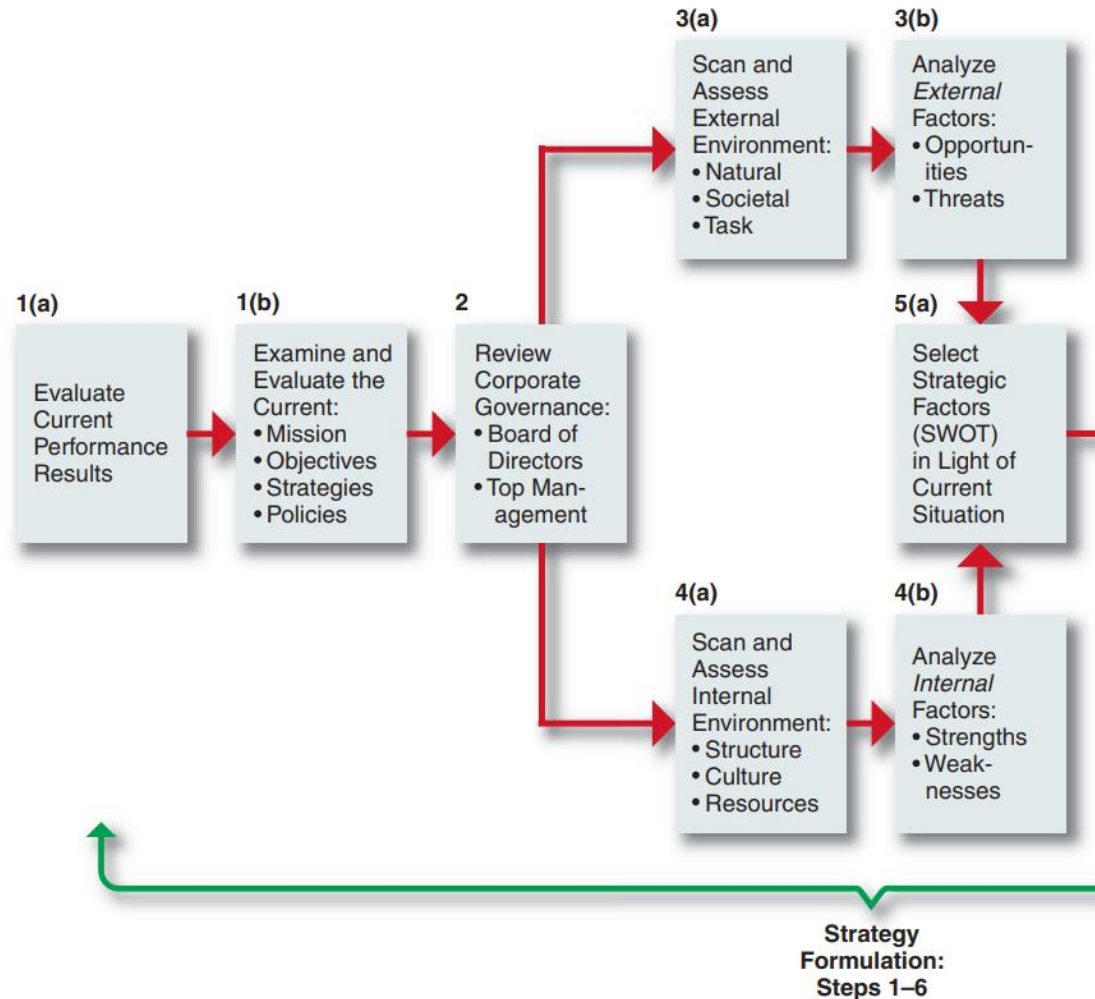
1.7 Strategic Decision Making

Strategic Decision Making Process:

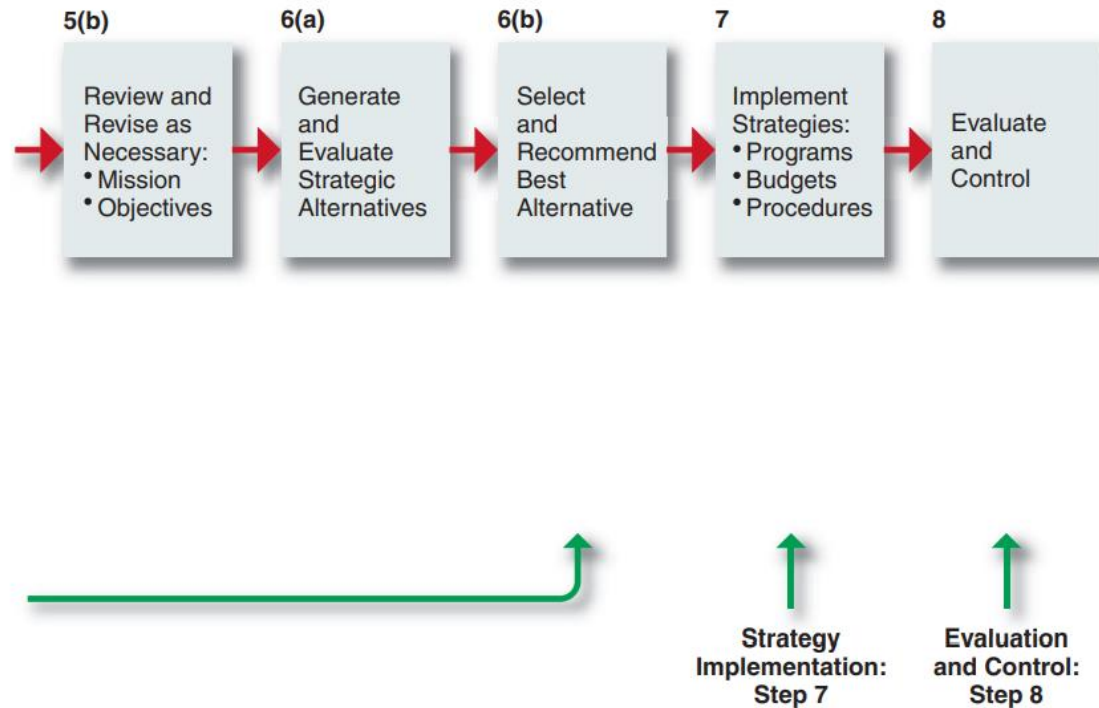
1. Evaluate current performance results
2. Review corporate governance
3. Scan and assess the external environment
4. Scan and assess the internal corporate environment
5. Analyze strategic (SWOT) factors
6. Generate, evaluate and select the best alternative strategy
7. Implement selected strategies
8. Evaluate implemented strategies

1.7 Strategic Decision Making

FIGURE 1-5
Strategic Decision-
Making Process

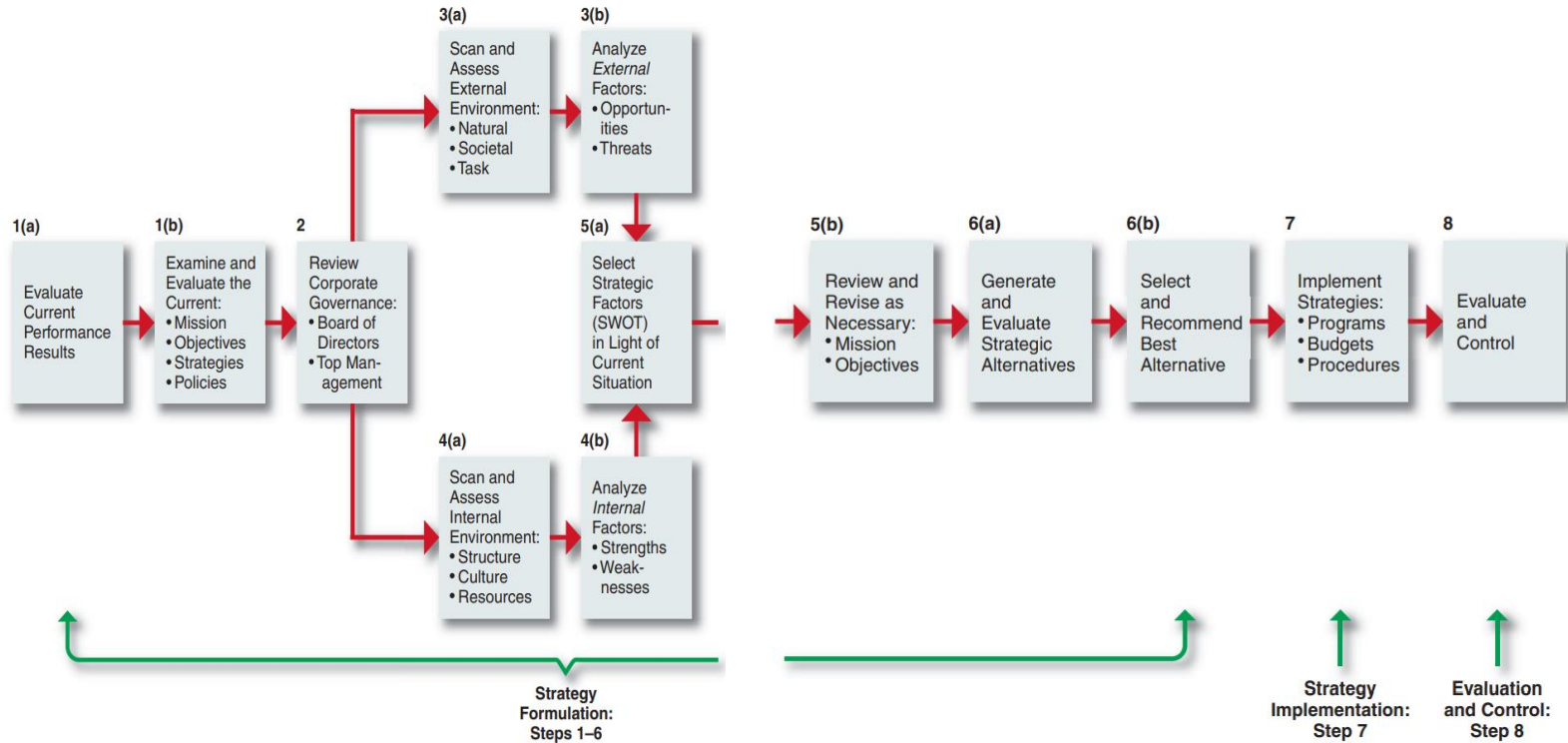


1.7 Strategic Decision Making



1.7 Strategic Decision Making

FIGURE 1-5
Strategic Decision-Making Process



1.8 The Strategic Audit: Aid to Strategic Decision-Making

Strategic audit provides a checklist of questions, by area or issue, that enables a systematic analysis to be made of various corporate functions and activities

1.8 The Strategic Audit: Aid to Strategic Decision-Making

