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Strategic Management

Introduction

DEFINITION OF STRATEGY

Strategy is the **direction and scope** of an organisation over the **long term**, which achieves **advantage** in a changing **environment** through its **configuration of resources** and competences with the aim of fulfilling **stakeholder** expectations.

BROAD STATEMENTS

'the determination of the long-run goals and objectives of an enterprise and the adoption of courses of action and the allocation of resource necessary for carrying out these goals'

Alfred D. Chandler

'Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value'

Michael Porter

'a pattern in a stream of decisions'

Henry Mintzberg

'the long-term direction of an organisation'

Exploring Strategy

• EMERGING

Tend to **emerge in organisations over time** as a result of ad hoc, **incremental or even accidental** actions

• ANALYTICAL

Strategies are developed through **rational and analytical processes**

STRATEGIC STATEMENT

Strategy is a **high level plan** to achieve **specific goals** under conditions of **uncertainty**. Consists in a set of **3 items**

• GOALS

• SCOPE

Or **domain** of the organization's activities

• ADVANTAGES

STRATEGIC DECISION

Strategic decisions are often about **long-term direction** of the organisation

• TIMEFRAME DEPENDENT

• SCOPE OF ACTIVITIES

• COMPETITIVE ADVANTAGE

• COMPANY RESOURCES

• BUSINESS ENVIRONMENT

The decision influence its business environment

• INFLUENCE STAKEHOLDERS

To a certain extent

Strategic decisions frequently have some characteristics:

A. COMPLEX

B. UNCERTAINTY

C. AFFECT OPERATIONS

D. AFFECT RELATIONSHIP OUTSIDE

E. HOLISTIC APPROACH

3 LEVES

CORPORATE Overall scope and how add value to different BU	BUSINESS The way company seeks to compete in market	OPERATIONAL How to deliver strategy with res, proc and ppl
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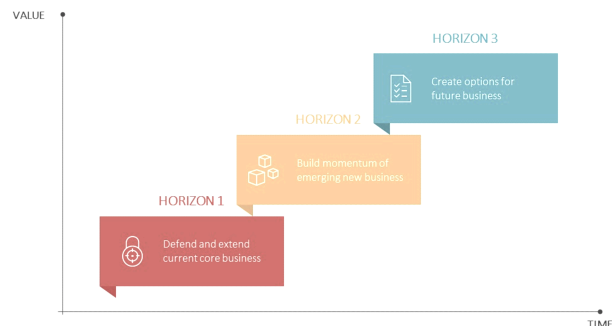
VOCABULARY

Term	Definition	A personal example
Mission	Overriding purpose in line with the values or expectations of stakeholders	Be healthy and fit
Vision or strategic intent	Desired future state: the aspiration of the organisation	To run the London Marathon
Goal	General statement of aim or purpose	Lose weight and strengthen muscles
Objective	Quantification (if possible) or more precise statement of the goal	Lose 5 kilos by 1 September and run the marathon next year
Strategic capability	Resources, activities and processes. Some will be unique and provide 'competitive advantage'	Proximity to a fitness centre, a successful diet
Strategies	Long-term direction	Exercise regularly, compete in marathons locally, stick to appropriate diet
Business model	How product, service and information 'flow' between participating parties	Associate with a collaborative network (e.g. join running club)
Control	The monitoring of action steps to: <ul style="list-style-type: none"> ● assess effectiveness of strategies and actions ● modify as necessary strategies and/or actions 	Monitor weight, kilometres run and measure times: if progress satisfactory, do nothing; if not, consider other strategies and actions

HISTORY

- RISE OF MASS MARKETS
- PROFESSIONALISATION OF MANAGEMENT
- NATURE'S COMPETITIVE ADVANTAGE

3 HORIZONS



EXTEND AND DEFENT Your core business	BUILD EMERGING BIZ Finding new way or channels of revenues	CREATE VIABLE OPT Developing disruptive products or new biz areas
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STRATEGIC MANAGEMENT

Strategic management includes understanding the **strategic position** of an organisation, **strategic choices** for the future and managing **strategy in action** with effective actions

COMPLEXITY

POSITION	CHOICES	ACTION
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STRATEGIC POSITION

Strategic positioning is **the positioning** of an organization in the future, while taking into account the **changing environment**.

1. ENVIRONMENT

The organisation exists in the **context of a complex** PESTEL world

2. STRATEGIC CAPABILITIES

Resources, competences and capabilities

3. STAKEHOLDERS

4. GOALS

5. CULTURE

Fundamental questions:

- ENVIRONMENTAL OPPORTUNITIES AND THREATS?
- STRENGTHS AND WEAKNESSES?
- PURPOSE?
- CULTURE?

STRATEGIC CHOICES

Strategic choices involve **the options for strategy** in terms of both the **directions** in which strategy might move and the **methods** by which strategy might be pursued.

• DIRECTIONS

Corporate-level or business-level

• METHODS

Merges, alliances, innovations etc

Fundamental questions:

- HOW INDIVIDUAL BU COMPETE?
- WHICH BIZ IN THE PORTFOLIO?
- SHOULD WE GO INTERNATIONAL?
- ARE WE INNOVATING?
- DO WE HAVE TO MAKE JOINT VENTURES?

STRATEGIC ACTIONS

Strategy in action is concerned with ensuring that chosen strategies are **actually put into practice**

• STRUCTURING

• PROCESSES

Fundamental questions:

- WHICH STRATEGIES ARE IMPLEMENTABLE?
- STRUCTURE AND SYSTEM?

QUOTES

HENDERSON - WHAT IS STRATEGY

Variety: the richer the environment, the greater the number of potentially significant variables can give each species a unique advantage.

Evolution determines who survives either in business and nature.

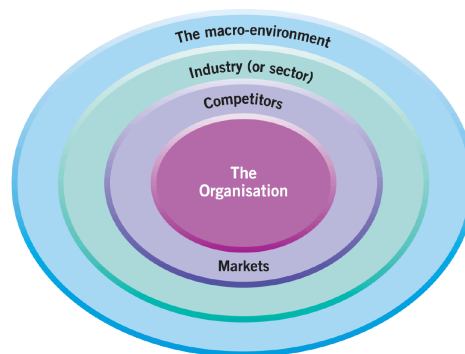
Strategy is the management of natural competition

Strategic position

ENVIRONMENT

The environment is the set of external factors influencing a company.

PESTEL - SCENARIOS - 5 FORCES



• MARCO ENVIRONMENT

broad environmental factors that impact to a greater or lesser extent on almost all organisations. **PESTEL**

• INDUSTRY

broad environmental factors that impact to a greater or lesser extent on almo. This is made up of organisations producing the **same products** or services. **5 FORCES**

PESTEL

*A PESTEL analysis is a framework to analyse and monitor the **macroenvironmental** factors that have an impact on an organisation.*

• POLITICAL FACTORS

How the government intervenes in the economy

The role of **state, government** policies, taxation changes, foreign policy and managing of risks.

• ECONOMIC FACTORS

How economy plays a role in how businesses operate

Role of macro-economic system on business cycle, interest rates, exchange rates, unemployment and **differential growth rates around the world.**

• SOCIAL FACTORS

How cultural aspects plays a role in how businesses operate

Health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety

• TECHNOLOGICAL FACTORS

How technological innovation can affect how business operate

R&D activity, automation, technology incentives and the rate of technological change

• LEGAL FACTORS

How local laws can affect how business operate

Discrimination law, consumer law, antitrust law, employment law, and health and safety law

• ENVIRONMENTAL FACTORS

How climate and ecological issues can affect how business operate

Ecological and environmental aspects such as weather, climate, and climate change, which may especially affect industries such as **tourism, farming, and insurance.**

KEY DRIVERS OF CHANGE

Environmental factors tend to be fundamental to businesses, and **vary by industry and market.**

- **MEGATRENDS**

Are **long-term** processes of transformation with a broad scope and a **dramatic impact.**

- **INFLECTION POINTS**

Trends shift sharply and in a visible way

- **WEAK SIGNALS**

Signs of future trends that suggest **inflection points.**

EX: Mortgage failures in CA before financial crisis.

SCENARIOS

Scenarios are **plausible views** of how the environment of an organisation might develop in the **future.**

How to develop an analysis:

- **IDENTIFY THE SCOPE**

- **IDENTIFY KEY DRIVERS**

- **SELECT OPPOSING OUTCOMES**

For each key driver, as to get **different developing** scenarios

- **DEVELOP STORIES**

- **EVALUATE IMPACT ON COMPANY**

I - M - S

- **INDUSTRY**

Companies producing same products or services

- **MARKET**

Group of customers for specific products or services

- **SECTOR**

Broad industry

5 FORCES

Porter's five forces help identify the **attractiveness** of an industry in terms of profitability.

PRICE - COSTS - ROOT_OF_PROFITABILITY

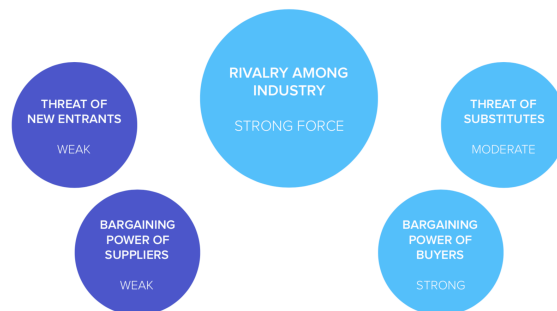


Figure 2. Porter's five forces analysis

1. **THREAT OF NEW ENTRANTS**

Profitable industries that yield high returns **will attract new firms.**

FACTORS: Economies of scale, high fixed costs, technological knowledge (patents etc), access to supply channels, legislation, customer loyalty,

2. **THREAT OF SUBSTITUTES**

Substitutes are similar **products or services.**

FACTORS: price/performance ratio, benefits from innovation, switching costs, number of substitutes

1. BARGAINING POWER OF CUSTOMERS

The ability of customers to **put the firm under pressure**, which also affects the customer's sensitivity to price changes.

FACTORS: low switching costs, numbers of substitutes, access to supply of inputs, price sensitivity

2. BARGAINING POWER OF SUPPLIERS

The ability of suppliers to **put the firm under pressure**

FACTORS: concentration of suppliers, specialist inputs, high switching costs, employee solidarity

3. INDUSTRY RIVALRY

FACTORS: competitive advantage, ads expenses, concentration ratio, online and physical

Most common issues with the model:

- **DEFINING INDUSTRY**
- **OVERLAPPING INDUSTRIES**
- **COMPLEMENTARY ORGANISATION**

TYPES OF INDUSTRY

• MONOPOLISTIC

One firm and **no competitive rivalry**.

• OLIGOPOLISTIC

Dominated by **few companies**.

• PERFECTLY COMPETITIVE

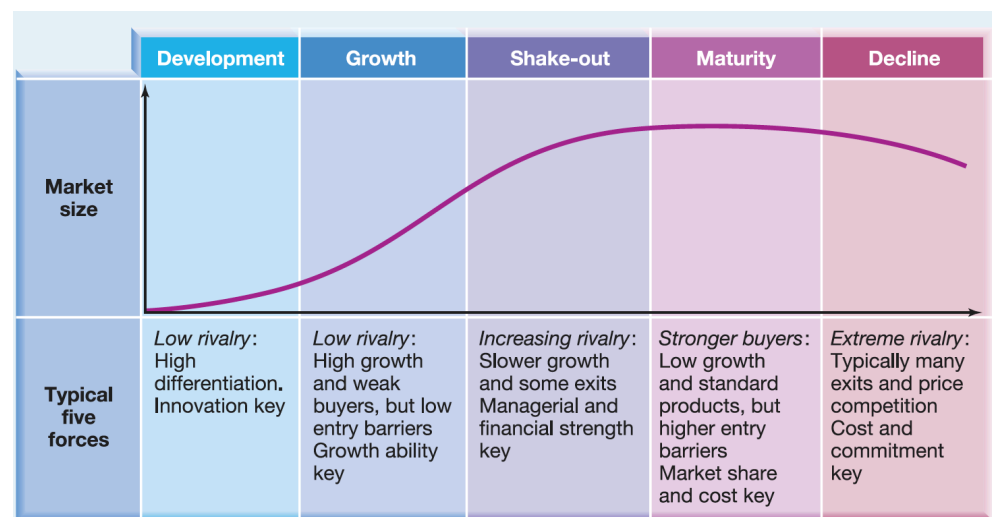
Low barriers to entry, same informations level, **similar products**

• HYPER-COMPETITIVE

Frequency and boldness of aggression often **creates disequilibrium**.

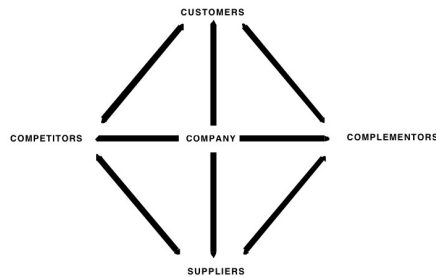
INDUSTRY LIFECYCLE

A form of fundamental analysis involving the process of making investment decisions based on the **different stages an industry** is at during a given point in time.



VALUE NET

The value net **is a map** of organisations in a **business environment** demonstrating **opportunities** for value-creation **cooperation as well as competitions**



COMPLEMENTOR

Product or services that can **enhance your offering**.

STRATEGIC GROUPS

A strategic group is a concept that groups companies within an industry that have **similar business models** or **similar combinations of strategies**.

SCOPE OF ACTIVITIES

RESOURCE COMMITMENT

SCOPE OF ACTIVITIES: Product diversity, geographical coverage, market segments and distribution channels

RESOURCES COMMITMENT: Extent of branding, marketing effort, vertical integration, quality, technological leadership and organisation's size

This kind of activity is **performed as to:**

- **UNDERSTAND COMPETITIONS**
- **ANALYSIS STRATEGIC OPPORTUNITIES**
Helps identify **strategy spaces** within an industry. **Blue whale**
- **ANALYSIS MOBILE BARRIERS**
Obstacles to movement to **one group to another**

MARKET SEGMENTS

A market segment is a **group of customers** who have **similar needs**

- **NICHES - FRINGES**
Small market segment
- **DYNAMIC**
Customers' needs vary
- **ATTRACTIVENESS**
Which segments to invest in

STRATEGIC CONSUMER

The strategic customer is the entity at whom the **strategy is primarily addressed** because they have the **most influence** over which goods or services are purchased

CSF

Critical success factors (CSFs) are those **product features** that are **particularly valued** by a **group of customers** and, therefore, where the organisation must excel to outperform competition

- **COMPETITIVE ADVANTAGE**
- **DIFFERENT ACROSS INDUSTRY**
Low-cost airlines and punctuality, full-service is about QoS

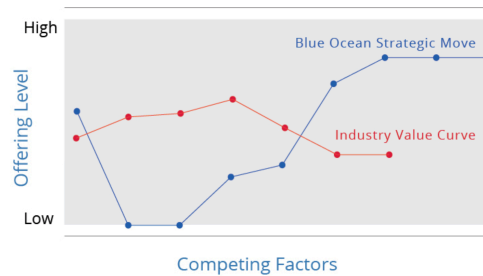
BLUE OCEAN THINKING

Blue oceans are **new market places** where competition is minimised, while **red ones** account for a higher level of competitiveness

RED OCEAN VS. BLUE OCEAN STRATEGY

Red Ocean Strategy	VS	Blue Ocean Strategy
Compete in existing market space.		Create uncontested market space.
Beat the competition.		Make the competition irrelevant .
Exploit existing demand.		Create and capture new demand.
Make the value-cost trade-off.		Break the value-cost trade-off.
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost .		Align the whole system of a firm's activities in pursuit of differentiation and low cost .

STRATEGIC CANVAS



- CSFS ON X-AXE
- COMPETITORS

RESOURCE BASED VIEW

The resource-based view of strategy: the **competitive advantage** and superior performance of an organisation is explained **by the distinctiveness of its capabilities**



• CAPABILITY

The ability to perform at the required level as to **survive** and prosper. Supported by **resources and competences**.

• RESOURCE

Asset available to the organisation

TANGIBLE/INTANGIBLE	THRESHOLD RESOURCE Meet minimum user requirements	UNIQUE RESOURCE Underpin CA and hard to imitate
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• COMPETENCY

Processes and **modes of employment** of resources.

COMPETENCES	THRESHOLD CMPTCES Meet minimum user requirements	CORE CMPTCES Underpin CA and hard to imitate
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TYPES OF CAPABILITIES

1. **THRESHOLD CAPABILITIES**
Capabilities required to competing in a market
2. **REDUNDANT CAPABILITIES**
Such capabilities become **rigidities** that inhibit change
3. **DYNAMIC CAPABILITIES**
To **renew and recreate its strategic capabilities** to meet the needs of **changing** environments.
SENSING SEIZING RE-CONFIGURING

4. **DISTINCTIVE CAPABILITIES**
You need to have **in order to achieve CA**

MARGARET PAPER

1. **HETEROGENEITY OF RESOURCES**
2. **EX-ANTE LIMITS**
Rents are obtained and gain profits. **Limited resource control**
3. **IMPERFECT MOBILITY**
4. **EX-POST LIMITS**
Ensure rents. **Barriers to entry**

VRIO

VRIO is a business analysis framework that forms part of a firm's larger strategic scheme.

1. **VALUE**
Exploit an opportunity, neutralise external threats and provide return by adding value.
2. **RARITY**
Those possessed uniquely by one organisation or only by a **few** others.
3. **IMITABILITY**
Difficult to imitate, and will there be significant cost disadvantage to a firm trying to obtain, develop, or duplicate the resource/capability?

Complexity: Internal **linkages** and outside interconnection.

Culture and history: Core competences may become **embedded** in an organisation's culture.

Casual ambiguity: Characteristic ambiguity and linkage one. Competitors **find it difficult** to discern the causes and effects underpinning an organisation's advantage.

4. **ORGANISATION**
Is the firm organized, ready, and able to **support** resources and capabilities?

VRIO Model

Is valuable?	Is rare?	Is difficult to imitate?	Is organization organized around?	What is the result?
NO				COMPETITIVE DISADVANTAGE
YES	NO			COMPETITIVE EQUALITY / PARITY
YES	YES	NO		TEMPORARY COMPETITIVE ADVANTAGE
YES	YES	YES	NO	UNUSED COMPETITIVE ADVANTAGE
YES	YES	YES	YES	LONG-TERM COMPETITIVE ADVANTAGE

managementmania.com

ORGANISATIONAL KNOWLEDGE

OK is organisation-specific, **collective intelligence**, accumulated through both **formal systems and people's** shared experience.

- **EXPLICIT KNOWLEDGE**

Transmitted through **formal systems**

- **IMPLICIT (TACIT) KNOWLEDGE**

is more **personal, context-specific**, hard to formalise and communicate and is **difficult to imitate**

BENCHMARKING

Benchmarking is a means of understanding how an organisation **compares** with others –typically competitors.

INDUSTRY — BESTINCLASS

PORTER'S VALUE CHAIN

A value chain is a **set of activities** that a firm operating in a specific industry performs in order to **deliver a valuable product** or service for the market.

- **5 PRIMARY**

Activities which are directly concerned with the **creation or delivery of a product** or service

- **4 SUPPORTING**

Activities which help to **improve the effectiveness** or efficiency of primary activities

- **DESCRIBE PROCESSES**

- **UNDERSTAND COMPETITIVE POSITION**

- **ENHANCE VALUE**

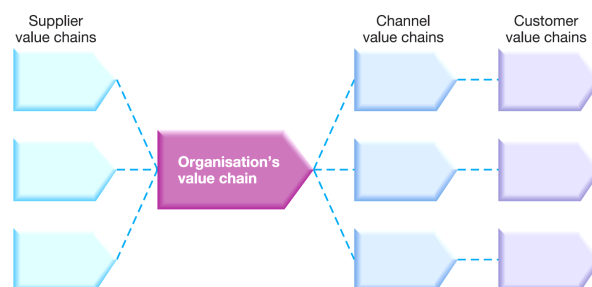
- **DECREASE COSTS**

- **IDENTIFY ACTIVITIES**

As to show strengths and weaknesses

#	TYPE	NAME	DESC
1	PRIM	Inbound Logistics	Activities concerned with receiving, storing and distributing inputs to the product or service including materials handling, stock control, transport, etc.
2	PRIM	Operations	Transform machining, packaging, assembly, testing, etc.
3	PRIM	Outbound Logistics	Collect, store and distribute the product to customers; for example warehousing, materials handling, distribution, etc.
4	PRIM	Marketing and Sales	Provide the means whereby consumers/users are made aware of the product or service and are able to purchase it
5	PRIM	Service	Includes those activities that enhance or maintain the value of a product or service, such as installation, repair, training and spares.
1	SUPP	Procurement	The processes that occur in many parts of the organisation for acquiring the various resource inputs to the primary activities.
2	SUPP	Tech Development	All value activities have a 'technology' , even if it is just know-how. <ul style="list-style-type: none"> • DIRECTLY WITH PRODUCT • PROCESS • PARTICULAR RESOURCE
3	SUPP	HR Management	It is concerned with those activities involved in recruiting, managing, training, developing and rewarding people within the organisation.
4	SUPP	Infrastructure	The formal systems of planning, finance, quality control, information management , and the structures and routines that are part of an organisation's culture

VALUE NETWORK *The value network is the set of **inter-organisational links** and relationships that are necessary to create a product or service*



- **COST/PRICE STRUCTURE**
- **IDENTIFY PROFIT POOLS**
seeking ways to **use existing capabilities** in order to exploit these
- **MAKE OR BUY**
- **PARTNERING**

SWOT ANALYSIS

A SWOT summarises the key issues from the **business environment** and the **strategic capability** of an organisation that are most likely to **impact** on strategy development

INTERNAL + EXTERNAL ENVIRONMENT



• INTERNAL

Major **strengths and weaknesses** are identified using analytic tools. SWOT can be used to examine S&W **in relation to competitors, even with scoring.**

• EXTERNAL

Key **opportunities and threats** are identified using analytic tools. Focus on opportunities and threats that are **directly relevant** for the specific organisation and industry and leave out **general and broad factors.**

- OVER GENERALISATION
- NO RANKING
- ISN'T ANALYSIS BUT SUMUP
- DOESN'T GUIDE STRATEGY

TOWS (SWOT) MATRIX

		Internal factors	
		Strengths (S)	Weaknesses (W)
External factors	Opportunities (O)	SO Strategic options Generate options here that use strengths to take advantage of opportunities	WO Strategic options Generate options here that take advantage of opportunities by overcoming weaknesses
	Threats (T)	ST Strategic options Generate options here that use strengths to avoid threats	WT Strategic options Generate options here that minimise weaknesses and avoid threats

DEVELOP CAPABILITIES

INTERNAL DEVELOPMENT

- **BUILD AND RECOMBINE**

Requires **entrepreneurial** capabilities

- **LEVERAGE**

Share capabilities among different parts

- **STRETCH**

Use **existing** ones to build new products

EXTERNAL DEVELOPMENT

- **CEASING ACTIVITIES**

Non-core activities can be **outsourced**

- **MONITOR OUTPUTS**

To better understand sources of consumer benefit and enhance anything that contributes to this

- **AWARENESS DEVELOPMENT**

Recognising **what enhances strategy**. Training, development and organisation learning are important

Strategic Purpose

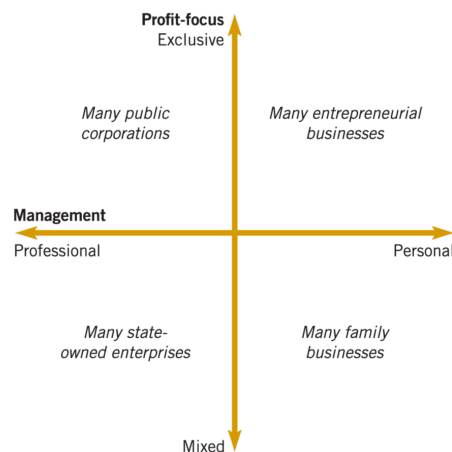
NAME	DESC	QUESTIONS
MISSION STATEMENT	Aims to provide employees and stakeholders with clarity about the organisation scope	<i>What business? What would be lost if we did not exist? How do we make a difference? Why we do this?</i>
VISION STATEMENT	Is concerned with the future the organisation seeks to create . It is an aspiration that will enthuse, gain commitment and stretch performance	<i>Where we want to be tomorrow?</i>
VALUE STATEMENT	Should communicate the underlying and enduring core "principles" that guide an organisation's strategy	
OBJECTIVES	Are statements of specific outcomes that are to be achieved. FINANCIAL - SOCIAL - MARKET	

STRATEGIC PURPOSE

Defines the final goals for strategy, and communicate it to **stakeholders and external environment**

FOCUS - MOTIVATIONAL - CLEAR

OWNERSHIP MODELS



CORPORATE GOVERNANCE

Corporate governance is the structures, processes and relations by which corporations are controlled and **held accountable** to those who have a **legitimate stake** in an organisation

STRUCTURE PROCESSES RELATIONS

SPR

It is becoming increasingly useful because of:

- **SEPARATION OF OWNERSHIP AND MANAGEMENT**
- **FAILURES AND SCANDALS**
- **INCREASED ACCOUNTABILITY**

Shared value - Porter

GOVERNANCE CHAIN

The governance chain **illuminates the roles and relationships** of different **groups involved** in the governance of an organisation

PRINCIPAL AGENT DILEMA

Here **'principals' pay 'agents'** to act on their behalf.

Principal–agent theory assumes that **agents will not work diligently**, so they may act in **their own self interest**, for principals unless **incentives are carefully and appropriately aligned**.

- KNOWLEDGE IMBALANCES
- MONITORING LIMITS
- MISALIGNED INCENTIVES

- ROLES OF SHAREHOLDERS?
- INSTITUTIONAL INVESTORS?
- SCRUTINITY AND CONTROL?

CORPORATE MODELS

	Shareholder model	Stakeholder model
Advantages	<ul style="list-style-type: none">• Higher rates of return• Reduced risk• Increased innovation and entrepreneurship• Better decision making	<ul style="list-style-type: none">• Long term horizons• Less reckless risk-taking• Better management
Disadvantages	<ul style="list-style-type: none">• Reduced monitoring• Vulnerable minority shareholders• Short termism	<ul style="list-style-type: none">• Weaker decision-making• Uneconomic investments• Reduced innovation and entrepreneurship

TYPES OF BOARD There are two types of boards:

SINGLE TIER BOARD

United States and UK

- NON-EX DIRECTORS
- NON-EX REPRESENT SHAREHOLDERS
- NON-EX SELECTED BY EXEC

TWO TIER BOARD

France, Germany, Netherlands, with a **supervisory board that represent stakeholders** and a **management board planning strategy and operations**.

- BALANCED POWERS

ROLE OF BOARD

- DELEGATION

Strategy can be **delegated to management**, but **must be reviewed** by the whole board

- ENGAGEMENT

The board can engage in the **strategic management process**, but board members **may have insufficient expertise**.

- OPERATE INDEPENDENTLY

Management may not be influent on **board choices**. Board member **scrutinise** the activities of managers

- SOCIAL RESPONSABILITY

Behaving appropriately given society's expectations

TYPES OF STAKEHOLDERS

A stakeholder is a **party that has an interest** in a company, and can either **affect or be affected** by the business.

CONFLICT OF INTERESTS AND EXPECTATIONS

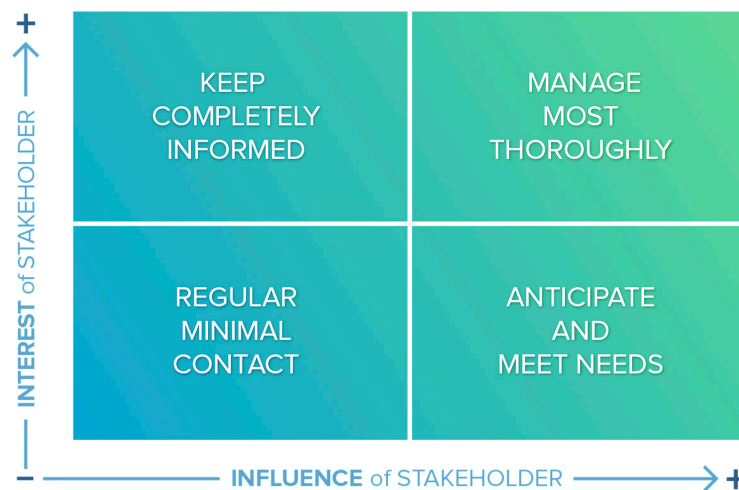
There are **4 types of external stakeholders**

- **ECONOMIC**
- **SOCIAL/POLITICAL**
- **TECHNOLOGICAL**
- **COMMUNITY**

MAPPING STAKEHOLDERS

Stakeholder mapping identifies **stakeholder expectations and powers** and helps in understanding **political priorities**

- **EXPECTATIONS AND INTERESTS**
- **BLOCKERS AND FACILITATORS**
- **REPOSITION STAKEHOLDERS**
- **SHIFT OF POWERS**



POWER

Ability of individuals to **persuade, induce, coerce** others into following their actions.

FORMAL VS INFORMAL

SOURCE AND INDICATORS OF POWER

Sources of power	
Within organisations	For external stakeholders
<ul style="list-style-type: none"> • Hierarchy (formal power), e.g. autocratic decision-making • Influence (informal power), e.g. charismatic leadership • Control of strategic resources, e.g. strategic products • Possession of knowledge and skills, e.g. computer specialists • Control of the human environment, e.g. negotiating skills • Involvement in strategy implementation, e.g. by exercising discretion 	<ul style="list-style-type: none"> • Control of strategic resources, e.g. materials, labour, money • Involvement in strategy implementation, e.g. distribution outlets, agents • Possession of knowledge or skills, e.g. subcontractors, partners • Through internal links, e.g. informal influence

Indicators of power	
Within organisations	For external stakeholders
<ul style="list-style-type: none"> • Status • Claim on resources • Representation • Symbols 	<ul style="list-style-type: none"> • Status • Resource dependence • Negotiating arrangements • Symbols

CORPORATE SOCIAL RESPONSIBILITY

CRS

CSR is the commitment by organisations to **behave ethically** and **contribute to economic development** while improving the **society**

- **LAISSEZ-FAIRE**

Organisations take the view that the only responsibility of business is the **short-term interests** of shareholders and to 'make a profit, pay taxes and provide jobs'

- **ENLIGHTENED SELF-INTEREST**
- **FORUM FOR S-H INTERACTION**
- **SHAPER OF SOCIETY**

Higher degree of social commitment.

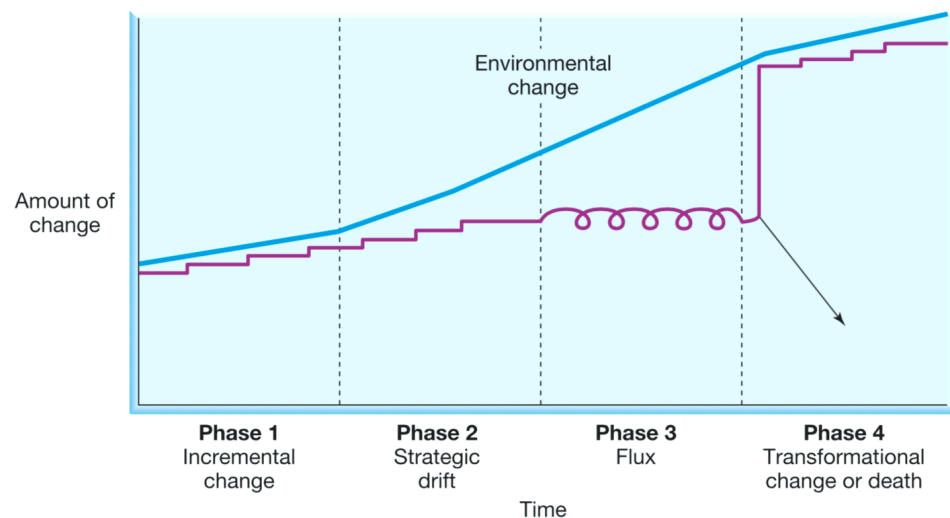
SHARED VALUE

Generating economic value in a way that also produces **value for society** by addressing its challenges. A shared value approach **reconnects** company success with social progress.

Culture and shift

STRATEGIC DRIFT

Strategic drift is the tendency for strategies to **develop incrementally** on the basis of **historical and cultural influences** but which fail to keep pace with a **changing environment**



1. **ALIGNMENT WITH ENVIRONMENT**

It could well be that the environment is changing **gradually with the company**

2. **EXPERIMENTATION**

3. **SUCCESS OF PAST**

There may be **unwillingness to change** a strategy if it has been successful

PHASE 2

- RELUCTANCE TO CHANGE
- BUILDING ON THE FAMILIAR

Managers may see changes in the environment about **which they are uncertain or which they do not entirely understand.**

- CORE RIGIDITIES

Capabilities that **don't allow for a change**

PHASE 3

- NO CLEAR DIRECTION
- INTERNAL CONFLICT
- DISAGREEMENT
- DECLINING PERFORMANCE AND MORALE
- CUSTOMERS ARE ALIENATED

PHASE 4

- ORGANISATION DIES
- TAKEN OVER BY COMPETITION
- LAGGED EFFECTS
- IMPLEMENT A TRANSFORMATIONAL CHANGE

PATH DEPENDENCY

Path dependency is where early events and **decisions have lasting effects** on subsequent events and decisions

ORGANISATIONAL CULTURE

Organisational culture is the **taken-for-granted assumptions** and **behaviours** that make sense of people's organisational context.

GCULTURE + OFIELD

- CULTURAL GLUE

Employees often **cohere around funding principles** and values of organisation

- CAPTURED BY SOLUTION

People react to change **attaining to the culture**

- MANAGING DIFFICULTIES

Managing culture and its changes is difficult.

GEOGRAPHICAL CULTURES

1. DIFFERENT CULTURES
2. SUBNATIONAL CULTURES
3. CORE VALUES

Attitude to work, authority, equality, ethics and behaviours

ORGANISATIONAL FIELD

An organisational field is a **community of organisations** that interact more **frequently with one another** than with those outside the field and that have developed a **shared meaning system**.

RECIPE

A set of assumptions, norms and routines **held in common** within an organisational field about the appropriate purpose and strategies of field members.

WHICH WAY IS RIGHT

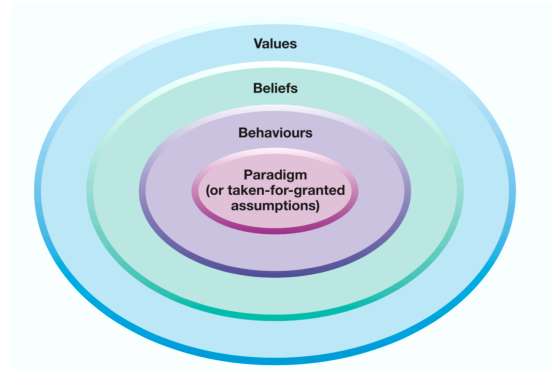
EX: Shared values for physicians

LEGITIMACY

Is concerned with **meeting the expectations** within an organisational field in terms of **assumptions, behaviours and strategies**.

- REGULATION
- NORMATIVE EXPECTATIONS
- THE RECIPE

CULTURE IN FOUR LAYERS



PARADIGM

The paradigm is the **set of assumptions held in common** and taken for **granted** in an organisation.

- BUILT ON COLLECTIVE EXPERIENCE
- INFORM WHAT PEOPLE DO
- INFLUENCES HOW ORGANISATIONS CHANGE

CULTURAL WEB

The Cultural Web identifies **six interrelated elements** that help to make up **the paradigm**

1. ROUTINES AND RITUALS

The daily behavior and actions of people that signal acceptable and **meaningful** behavior

Are 'the way we do things around here' on a day-to-day basis.

2. STORIES

The past events and people **talked about inside and outside** the company.

They deal with successes, disasters, heroes, villains and mavericks

3. SYMBOLS

Are **objects, events, acts or people** that convey, maintain or create **meaning** over and above their functional purpose.

Representations of the company including logos, how plush the offices are, and the formal or informal dress codes.

4. CONTROL SYSTEMS

The ways that the organization is controlled. These include financial **systems, quality systems, and rewards**

5. ORGANISATIONAL STRUCTURES

This includes both the **structure defined by the organization** chart, and the **unwritten lines of power** and influence

6. POWER STRUCTURES

The most **powerful groupings** within an organisation are likely to be closely **associated with the core assumptions** and beliefs

Strategic choices

STRATEGIC CHOICE

Strategic Choice Theory describes the role that leaders or leading groups play in influencing an organization through making choices in a dynamic political process.

- BUSINESS STRATEGY
- STRATEGY DIRECTION
- STRATEGY METHODS

SBU

A **profit center** which focuses on **product offering and market segment**.
MARKET OR CAPABILITIES DISTINCTION

- DECENTRALISE DECISIONS
- VARY STRATEGY
- ENCOURAGE ACCOUNTABILITY

Every SBU has its own responsibilities

COMPETITIVE STRATEGY

*Competitive strategy is concerned with the **modes** on which a business unit might **achieve competitive advantage** in its market.*

MAIN STRATEGIES



STRATEGY'S PERFORMANCES



COST LEADERSHIP

*Becoming the **lowest-cost** organisation in a domain of activity.*

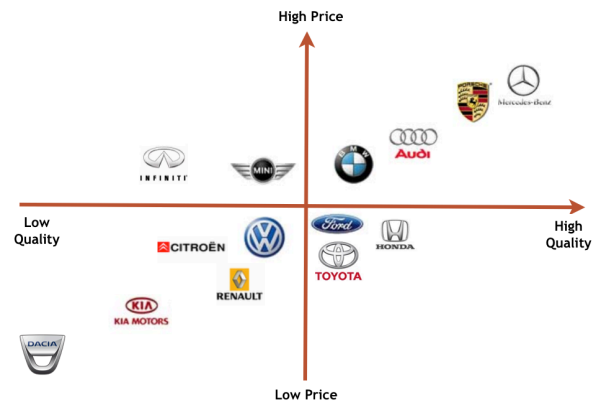
- LOW INPUT COSTS
- ECONOMIES OF SCALE
- EXPERIENCE
- PRODUCT/PROCESS DESIGN

DIFFERENTIATION

involves **uniqueness along some dimension** that is sufficiently **valued** by customers to allow a price premium

- STRATEGIC CONSUMER
- COMPETITORS

May **follow**



FOCUS STRATEGY

Targets a **narrow segment or domain** of activity and tailors its products or services to the needs of that specific segment to the exclusion of others.

Relies on **3 different parameters**:

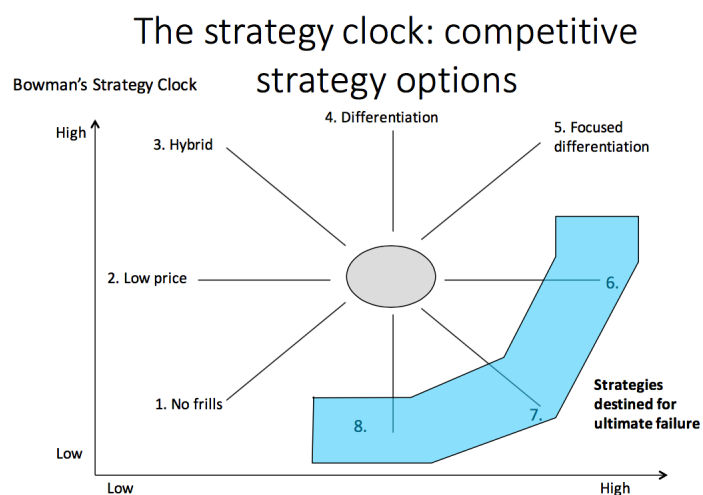
- DISTINCT SEGMENT NEEDS
- DISTINCT VALUE CHAIN
- VIABLE SEGMENT

There are **two main strategies**:

- COST-FOCUS
- DIFFERENTIATION-FOCUS

STRATEGY CLOCK

The strategy clock provides an alternative approach to generic strategy which gives **more scope for hybrid strategies**.



Differentiation strategies:

- 12 - WITHOUT PRICING PREMIUM
- 1 - WITH PRICING PREMIUM
- 2 - FOCUSED WITH PREMIUM

Sustained through imperfect mobility, lower costs, higher margins.

Low-prices strategies:

- 9 - GENERIC LOW PRICING
- 7 - NO FRILLS - AGGRESSIVE

Sustained through cost efficiency, specific capabilities and lower margins.

Hybrid strategies:

- ENTER AND PENETRATE THE MARKET
- AGGRESSIVELY WIN SHARES
- BUILD VOLUMES

STRATEGIC LOCKIN

Strategic lockin is where **users become dependent** on a supplier and are **unable to use another supplier** without substantial switching costs.

- COMPLEMENTARY PRODUCTS
- PROPERTY INDUSTRY STANDARD

HYPER COMPETITION

Hypercompetition describes markets with **continuous disequilibrium** and change

SPEED AND INITIATIVE RATHER THAN DEFENSIVE APPROACH

- CANNIBALISE BASE OF SUCCESS
- SERIES OF SMALL MOVES
- UNPREDICTABLE
- MISLEAD COMPETITION

GAME THEORY

Encourages an organisation to **consider competitors' likely moves** and the implications of these moves for its own strategy.

- INTERDEPENDENCE
- ENSURE REPETITION
- SIGNALING
- DETERRENCE
- COMMITMENT

PRISONER DILEMMA

The prisoner's dilemma is a standard example of a game analyzed in game theory that shows why **two completely "rational" individuals might not cooperate**, even if it appears that it is in their best interests to do so

CONSOLIDATION AND RETRENCHMENT

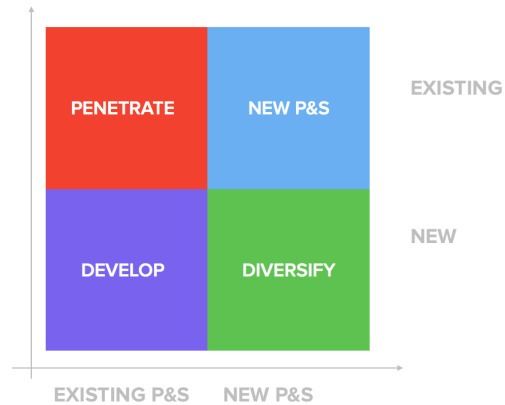
CONSOLIDATION

Organisations focus defensively on their current market and products.
Lot of new players!

RETRENCHMENT

Withdrawal from marginal activities in order to concentrate on most valuable one. **FOCUS ON CORE**

ANSOLF MATRIX DIRECTIONS OF STRATEGY



DIVERSIFICATION

Increasing the range of products or markets served by an organisation.

- RELATED
- CONGLOMERATE OR UNRELATED

takes the organisation **beyond** both its existing markets and products and **radically increases** the organisation's **scope**

MARKET PENETRATION

Increasing share of current markets with the current products range

- EXPAND
- UNCHANGED SCOPE
- STRATEGIC CAPABILITIES FOR SCALING
- CONSTRAINTS: COMPETITORS RETALIATION AND LEGAL

PRODUCT DEVELOPMENT

*Organisations delivers **modified or new products** to existing markets.*

- RELATED DIVERSIFICATION
- STRATEGIC CAPABILITIES
- EXPENSIVE AND RISKY
- PROJECT MANAGEMENT RISK

MARKET DEVELOPMENT

Offering existing products to new markets

- PRODUCT DEVELOPMENT
- NEW USERS
- NEW GEOGRAPHIES
- NEW STRATEGIC CAPABILITIES

DRIVERS FOR DIVERSIFICATION

1. **EXPLOITING ECONOMIES OF SCOPE**
Efficiency gains through applying organisation resources
2. **EXPORT MANAGEMENT RECIPE**
A **recipe of success** can be exported to different segments
3. **SUPERIOR INTERNAL PROCESS**
4. **MARKET POWER**
5. **MULTIMARKET RIVALRY**
Multimarket contact occurs when firms meet the **same rivals in multiple markets**. When firms compete with each other in more than one market their competitive behavior may differ from that of single-market rivals.
6. **CROSS SUBSIDIZATION**
The practice of charging **higher prices to one group** of consumers to subsidize **lower prices for another group**.

SYNERGY

Refers to the benefits gained where **activities or assets complement each other** so that their combined effect is greater than the sum of the parts.

VALUE DESTROYING DIVERSIFICATION

Diversification let do market destroy if you cannibalise your services

- RESPONDING TO MARKET DECLINE
- SPREADING RISK
- MANAGERIAL AMBITION

INTEGRATION

1. FORWARD

This involves acquiring a business **further up** in the supply chain

2. BACKWARD

This involves acquiring a business **operating earlier** in the supply chain

3. VERTICAL

Means entering activities where the organisation is **its own supplier or customer**.

4. HORIZONTAL

Businesses in the **same industry** and which operate at the **same stage** of the production process are **combined**

OUTSOURCING

Process by which activities previously carried out internally are subcontracted to external suppliers.

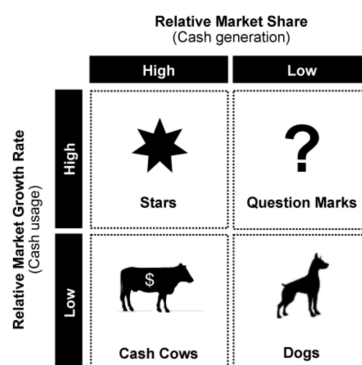
FOCUS CAPABILITIES **BARGAINING POWER**

VALUE ADDING ACTIVITIES

- ENVISIONING
 - FACILITATING SYNERGIES
 - COACHING
 - PROVIDING CENTRAL SERVICES
 - INTERVENING
-
- ADDING MANAGEMENT COSTS
 - BUREAUCRATIC COMPLEXITY
 - OBSCURING FINANCIAL PERFORMANCE

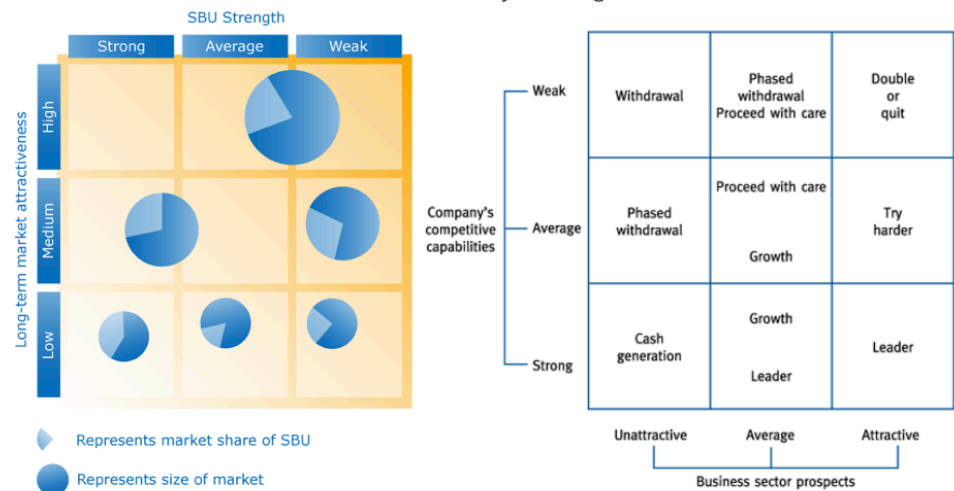
BCG MATRIX

The **growth–share matrix is a chart** that was created by Bruce D. Henderson for the Boston Consulting Group in 1970 to help corporations to **analyse their business units**, that is, their product lines.

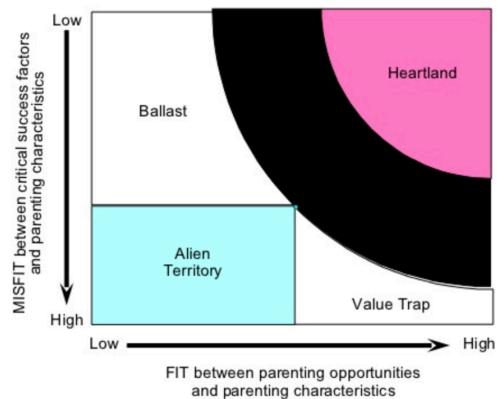


DIRECTIONAL POLICY MATRIX

The Directional Policy Matrix is a tool for helping you determine what **your preferred segments are**. In completing a DPM you understand what you **should invest in** and the direction your organisation should take.



PARENTING FIX MATRIX



1. HEARTLAND

The parent understands these well and can add value. The core of future strategy.

2. BALLAST

The parent understands these well but **can do little for them**. They could be just as successful as independent companies. If not **divested** need to **avoid corporate bureaucracy**.

3. VALUE-TRAP

Business units are **dangerous**. The parent needs new capabilities to move value-trap businesses into the heartland.

4. ALLIENS

EXIT!

International strategies

DEFINITION

International business strategy refers to plans that guide commercial transactions taking place between entities in different countries.

GLOBAL PAN-CONTINENTAL MULTI-NATIONAL



DRIVERS

MGCC

1. MARKET

Similarity between markets.

Similar needs, global customer, transferable marketing.

2. GOVERNMENT

Trade policies, technical standards, government policies.

3. COMPETITIVE

Interdependence between countries, competitors' global strategies.

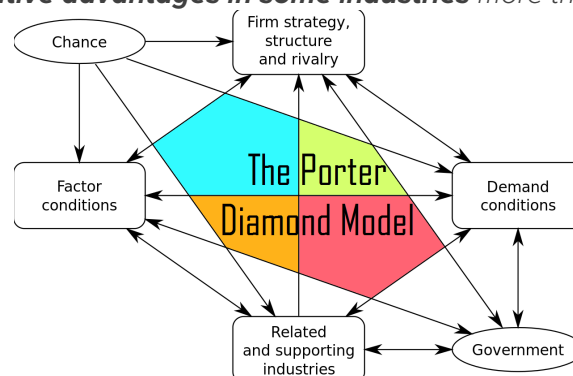
Competitors may use one country's profits to **cross-subsidise their operations in another**.

4. COST

Scale economies, country specific differences, favourable logistics

PORTER DIAMOND

Porter's Diamond explains why **some locations** tend to produce firms with **competitive advantages in some industries** more than others.



1. FACTOR CONDITIONS

Factors that enhance or discourage the development.

Highly specialised resources - Natural endowments

2. STRATEGY, STRUCTURE AND RIVALRY

National performance in particular sectors is inevitably related to the

strategies and the structure of the firms in that sector, while **competition** play a big role in **innovation**.

National competition lead to international advances

3. DEMAND CONDITIONS

Demand **conditions in the domestic market** provide the primary driver of growth, innovation and quality improvement.

National type of demands shapes companies

4. RELATING AND SUPPORTING INDUSTRIES

For many firms, the **presence of related and supporting industries** is of critical importance to the growth of that particular industry.

Clusters of industries

CASE: WALMART

Wal-Mart has been successful in many Asian markets with relatively under-developed retail markets, but was forced to withdraw from Germany's maturer market after nearly a decade of failure in 2006. < In Germany, unlike in most Asian markets, Wal-Mart **had no significant competitive advantage over domestic retailers**.

GLOBAL SOURCING

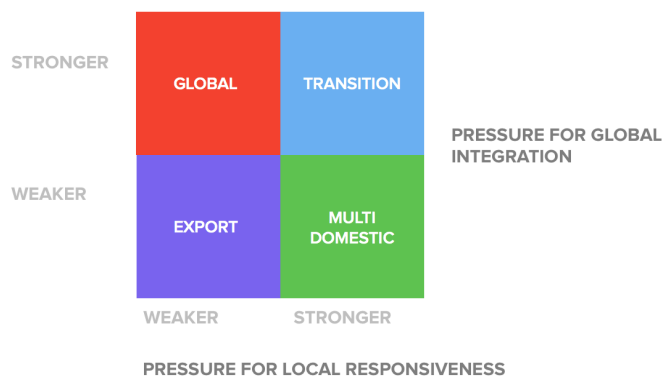
Global Sourcing refers to **purchasing services and components** from the most appropriate suppliers around the world, regardless of their location

1. **COST ADVANTAGES**
2. **UNIQUE LOCAL CAPABILITIES**
Accenture and **China OFFICES**.
3. **NATIONAL MARKET CHARACTERISTICS**

GLOCAL LOCAL DILEMMA

Glocalization is the **adaptation of international products** around the particularities of a **local culture** in which **they are sold**. The process allows integration of local markets into world markets.

FOUR INTERNATIONAL STRATEGIES



	DESC	LOCAL	GLOBAL	RISKS
EXPORT	Leverages home country capabilities , innovations and products in foreign markets. Italian Leather	LOW	LOW	Increase in local competition . COMPLEX/SIMPLE
MULTI-DOMESTIC	Maximises local responsiveness – different product offerings for different countries. Coke-Cola	HIGH	LOW	Manufacturing inefficiencies and brand dilution
GLOBAL	Maximises global integration with little or no local adaptation of products/ services. Standardisation and scale Google	LOW	HIGH	Risk for homogeneous offer .
TRANSNATIONAL	Complex strategy that maximises local responsiveness and global co-ordination . GE	HIGH	HIGH	HARD!

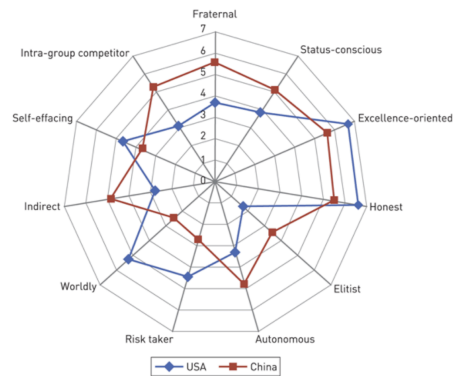
CAGE FRAMEWORK

The CAGE Distance Framework identifies Cultural, Administrative, Geographic and Economic differences or **distances between countries** that companies should address when crafting international strategies

MARKET ENTRY

	CULTURAL DISTANCE	ADMINISTRATIVE DISTANCE	GEOGRAPHIC DISTANCE	ECONOMIC DISTANCE
MULTILAT.	<ul style="list-style-type: none"> Different languages Different ethnicities; lack of connective ethnic or social networks Different religions Lack of trust Different values, norms, and dispositions 	<ul style="list-style-type: none"> Lack of colonial ties Lack of shared regional trading bloc Lack of common currency Political hostility 	<ul style="list-style-type: none"> Physical distance Lack of land border Differences in time zones Differences in climates / disease environments 	<ul style="list-style-type: none"> Rich/poor differences Other differences in cost or quality of natural resources, financial resources, human resources, infrastructure, information or knowledge
UNILATERAL	<ul style="list-style-type: none"> Insularity Traditionalism 	<ul style="list-style-type: none"> Nonmarket/closed economy (home bias vs. foreign bias) Lack of membership in international organizations Weak institutions, corruption 	<ul style="list-style-type: none"> Landlockedness Lack of internal navigability Geographic size Geographic remoteness Weak transportation or communication links 	<ul style="list-style-type: none"> Economic size Low per capita income

INTERNATIONAL CROSS CULTURAL COMPARISON



MARKET COMPETITIV. EVALUATION

1. MARKET ATTRACTIVENESS

PESTEL provides a good model to measure market attractiveness.

2. DEFENDERS' REACTION

3. DEFENDERS' CLOUT

Power that defenders can use to fight.

GREENFIELD INVESTMENT

A *green field investment* is a form of **foreign direct investment** where a parent company builds its operations in a foreign country from the ground up

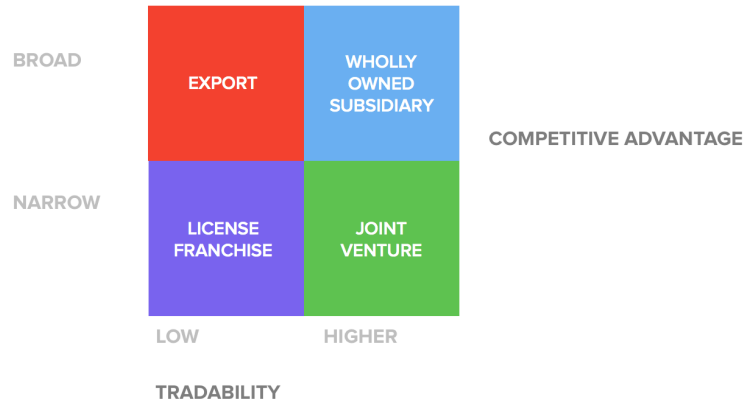
STAGED INTERNATIONAL EXPANSION MODEL

The staged international expansion model proposes a **sequential process** whereby companies **gradually increase their commitment** to newly entered markets, as they build market knowledge and capabilities.

• BORN-GLOBAL

• EMERGING-COUNTRY MULTINATIONALS

building **unique capabilities** in the home market but **exporting** them in international markets very quickly.



	ADVANTAGES	RISKS
EXPORT	<ul style="list-style-type: none"> • Internet facilitated • Leverage on home country economies of scales and supply 	<ul style="list-style-type: none"> • No location advantages • Bargaining of export partners • Transportation and trade barriers
LICENSED FRANCHISE	<ul style="list-style-type: none"> • Contractual income with low-effort • Low financial and legal exposure 	<ul style="list-style-type: none"> • Loose competitive advantage • Where is good partner? • Limited benefits from home country
JOINT VENTURE	<ul style="list-style-type: none"> • Shared risks • Complementary resources 	<ul style="list-style-type: none"> • Management issues • Where is good partner? • Hard to coordinate • Loose competitive advantage
WHOLLY OWNED SUBSIDIARIES	<ul style="list-style-type: none"> • Integrated coordination • Full control 	<ul style="list-style-type: none"> • Substantial investment • Where is good partner? • Greenfield resource consuming

Innovation

INNOVATION

Innovation is the process involving the **conversion of new knowledge into a new product**, process or service and the putting of this new product, process or service into **actual use**.

- **MARKET PULL**

Pull of **users** in the market that is **responsible** for innovation.

- **TECHNOLOGY PULL**

The **new knowledge** created by technologists or scientists that **pushes** the innovation process

- **PRODUCT INNOVATION**

- **PROCESS INNOVATIONS**

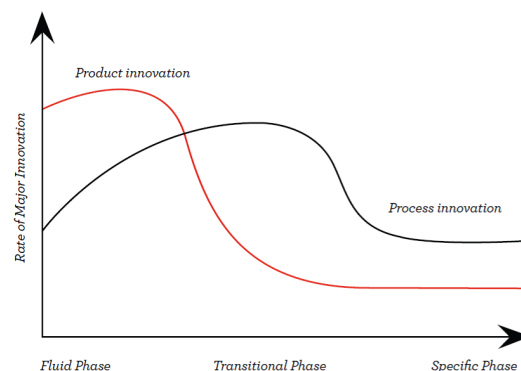


FIGURE 1 An industry evolves over time according to the pattern described in figure 1 (Utterback, 1994). It prospers around a product innovation and, in the first phase, extensive experimentation takes place. As the dominant design emerges, the focus shifts towards process innovation and incremental improvements. Over time, the overall rate of innovation decreases and the firm becomes vulnerable to technological change.

TYPES OF INNOVATION

Type of innovations depends on **competitive rivalry**, **type of innovation (one-shot or continuous)**, **links between them**

- **CLOSED INNOVATION**

traditional approach to innovation, relying on the organisation's own **internal resources** –its own laboratories and marketing departments.

- **OPEN INNOVATION**

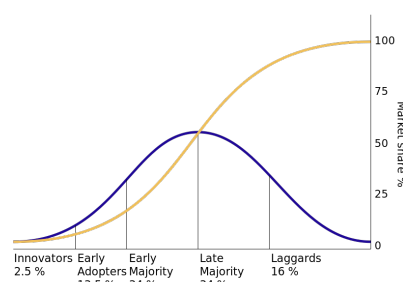
involves the deliberate import and **export of knowledge by an organisation** in order to accelerate and enhance its innovation. **Exchanging** ideas openly is seen as likely to produce better products more quickly.

PLATFORM LEADERSHIP

Refers to how large firms consciously **nurture independent companies** through successive waves of innovation around their basic technological 'platform'

INNOVATION DIFFUSION

Diffusion of innovations is a theory that seeks to explain how, why, and at what rate **new ideas and technology spread**



- **SUPPLY SIDE FACTORS**

Degree of improvement, compatibility, complexity, experimentation, relationship management

- **DEMAND SIDE FACTORS**

Market awareness, network effects, costumer willingness to adopt

TIPPING POINT

Explosive **growth** of demand

TRIPPING POINT

Explosive **decrease** of demand

FIRST MOVER ADVANTAGE

*First-mover advantage is the advantage gained **by the initial significant occupant** of a market segment.*

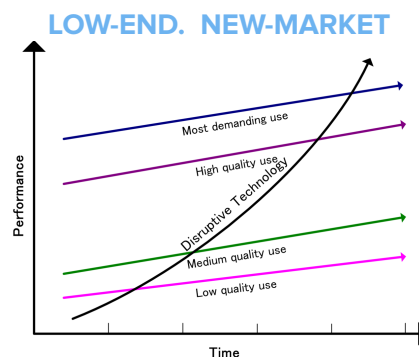
- **SCALE EFFECTS**
- **EXPERIENCE CURVE BENEFITS**
- **CLAIM SCARE RESOURCES**
- **BUYER SWITCHING COSTS**
- **REPUTATION**

In contrast to this there are some **benefits** of being a late-mover:

- **FREE-RIDING - LESS COSTS**
- **LEARNING FROM MISTAKES**

DISRUPTIVE INNOVATION

*An innovation that **creates a new market** and value network and eventually disrupts an existing market and value network, displacing established market leading firms, products, and alliances.*



Incumbents can **deal with disruption** mainly with

- **PORTFOLIO OF REAL OPTIONS**
- **DEVELOP NEW VENTURE UNITS**

ENTREPRENEURIAL STRATEGIES

Two key characteristics of entrepreneurial businesses have an impact on strategy

- **SCARCITY OF RESOURCES**
in terms of finance and managerial capacity.
- **INVISIBILITY**
small businesses are less likely to prompt a competitive response from incumbents.

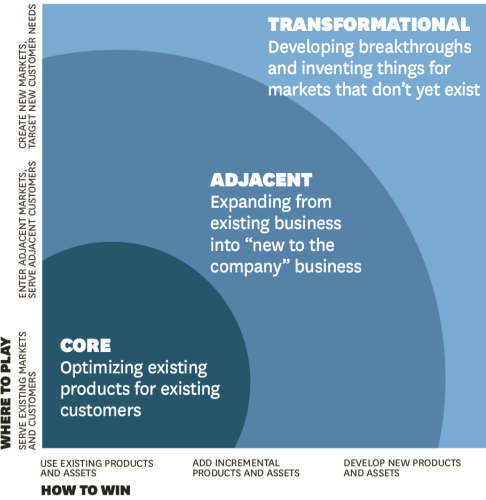
ENTREPRENEURIAL RELATIONSHIPS

- **CORPORATE VENTURING**
- **SPIN-OFF**
- **ECOSYSTEMS**

INNOVATION
AMBITION MATRIX

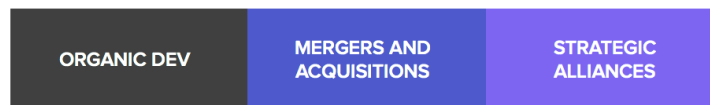
THE INNOVATION AMBITION MATRIX

Firms that excel at total innovation management simultaneously invest at three levels of ambition, carefully managing the balance among them.



Building capabilities

THREE OPTIONS



EXTENSION - CONSOLIDATION - CAPABILITIES

ORGANIC DEVELOPMENT

Building on and developing an organisation's own capabilities
DO IT BY YOURSELF

- KNOWLEDGE MANAGEMENT
- SPREADING INVESTMENT
Easy to manage investment **over the time**
- NO CONSTRAINS
Don't need to **wait for mergers or resources**
- STRATEGIC INDEPENDENCE
- CULTURE MANAGEMENT

CORPORATE ENTREPRENEURSHIP

Refers to **radical change** in the organisation's business, driven principally by the organisation's own capabilities.
Amazon and kindle

ACQUISITION

An acquisition is achieved by **purchasing a majority of shares** in a target company
FRIENDLY HOSTILE

MERGER

Combination of two different business as to create a new one.

M&A DRIVERS

Strategic drivers:

- CONSOLIDATION
- EXTENSION
- CAPABILITIES

Managerial drivers:

- PERSONAL AMBITION AND BANDWAGON EFFECT
- SPECULATIVE FACTORS

Financial drivers:

- FINANCIAL EFFICIENCY
- COST EFFICIENCY
- TAX EFFICIENCY
- ASSET UNBUNDLING

PROCESS



ORGANISATIONAL FIT

Match between **culture, processes, management**

STRATEGIC FIT

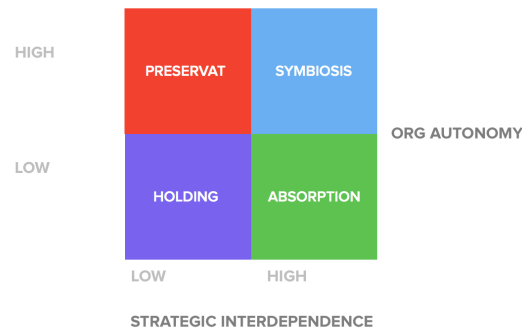
Enhancement of **firm's capabilities and strategy**.

INTEGRATING M&A

PSHA

Two main factors to **pay attention to**:

- **EXTENT OF STRATEGIC INTERDEPENDENCE**
the need for **transfer or sharing of capabilities** and/or resources
- **ORGANISATIONAL AUTONOMY**



	DESC	INTERDEP	ORG AUT
ABSORPTION	Rapid adjustment of the acquired company's strategies, culture and systems	HIGH	LOW
PRESERVATION	Old strategies, cultures and systems can be continued much as before.	LOW	HIGH
SYMBIOSIS	Both the acquired firm and acquiring firm learn and adopt the best qualities from each other.	HIGH	HIGH
HOLDING	The acquisition will be 'held' before being sold on, so the acquired unit is left largely alone.	LOW	LOW

STRATEGIC ALLIANCES

Two or more organisations **share resources** and **activities** to pursue a strategy.

COLLECTIVE-STRATEGY **COLLABORATIVE ADVANTAGE**
CO-EVOLUTION AND TRUST

• EQUALITY ALLIANCES

Involve the **creation of a new entity** that is owned separately by the partners involved.

Joint-ventures and consortium

• NON-EQUALITY ALLIANCES

This cooperation can be **an informal alliance** which cover a **wide field** of possible cooperation between companies.

Franchising, licensing and networks

DRIVERS FOR ALLIANCES

1. SCALE

lower costs, more bargaining power and sharing risks

2. ACCESS

partners provide **needed capabilities**

3. COMPLEMENTARY

bringing **together complementary strengths** to offset the other partner's weaknesses

4. COLLUSIVE

to **increase market power**. Might be kept secret to evade competition regulations.

Strategy into action

STRUCTURE

PROCESSES

STRATEGIC CHANGE

STRUCTURES

The structure is like the **skeleton of an organisation** and creates its basic framework. They give people **formally defined roles, responsibilities and lines of reporting**.

Challenge	Functional	Multidivisional	Matrix	Transnational	Project
Control	***	**	*	**	**
Change	*	**	***	***	***
Knowledge	**	*	***	***	**
Internationalisation	*	**	***	***	**

	DESC	PRO	CONS
FUNCTIONAL	Divides responsibilities according to the organisation's primary specialist roles such as production, research and sales .	Executives have hands on , simplifies control, middle levels	seniors overburdened with routine , no diversity, no adaptation
DIVISIONAL	Built up of separate divisions on the basis of products, services or geographical areas	Flexible, controlled by performances , specialised	Redundant, fragmented,
MATRIX	Combines different structural dimensions simultaneously, for example product divisions and geographical territories or product divisions and functional specialisms.	Flexible, controlled by performances, specialised	Unclear jobs and tasks, responsibilities , high degrees of conflict
TRANSNATIONAL	The transnational structure combines local responsiveness with high global coordination .	Knowledge sharing, network advantage and specialisation.	

SYSTEMS

Systems carry out **structurally defined roles and responsibilities**. Systems are like the **muscles of an organisation** that provide **movement and coherence**.

CONTROL SYSTEMS

1. DIRECT SUPERVISION

direct control of strategic decisions by one or a **few individuals**

2. CULTURAL SYSTEMS

aim to **standardise norms of behaviour** within an organisation in line with particular objectives.

Recruitment, socialisation and rewards

3. PERFORMANCE TARGETS

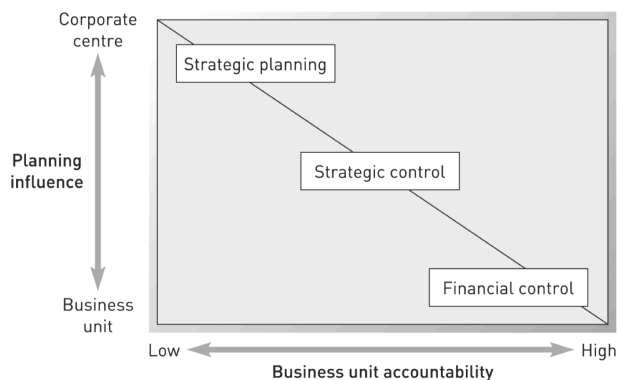
focus on the **outputs of an organisation** (or its parts) such as product quality, revenues or profits.

BALANCED SCORECARDS: goals are financials, customers, knowledge, internal

4. INTERNAL MARKET SYSTEM

'contracting' for resources or inputs and for supplying outputs to other parts of an organisation.

STRATEGY STYLES



1. FINANCIAL

The business units each **set their own strategic plans**, and are accountable for performances and autonomy. High bonuses

2. STRATEGIC CONTROL

Moderate levels of business unit accountability with the company acting as **a coach**. Cultural system enhances trusts and synergy with manager and parents

3. STRATEGIC PLANNING

Strong planning influence from the centre but **relatively relaxed performance accountability** from the business units.

BALANCED SCORECARDS

Balanced scorecards set performance targets according to a range of perspectives, not only financial

FINANCIAL CUSTOMER INTERNAL INNOVATION LEARNING

STRATEGY MAP

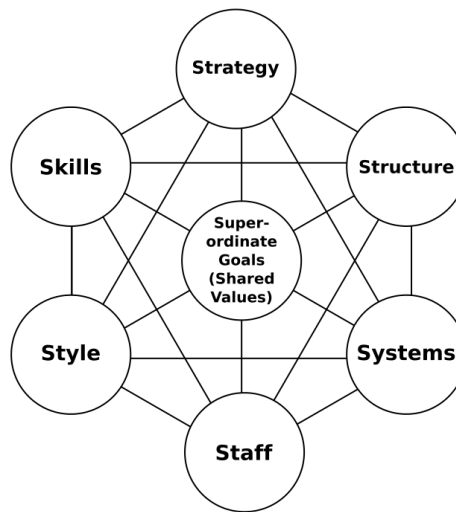
A strategy map is a diagram that is used to document the **primary strategic goals** being pursued by an organisation or management team.

CONFIGURATIONS

Configurations are the **set of organisational design elements** that interlink together in order to support the intended strategy

MC KINSEY 7S

The 7 Ss are **structure, strategy, systems, skills, style, staff and shared values**. The model is most often used as an organisational analysis tool to assess and **monitor changes in the internal situation of an organization**.



Benchmarking Strategy

PERFORMANCE ANALYSIS

Check whether strategy is put into action and leads to results.

CONTRADICTION - CAN_BE_MANIPULATED - PERCEPTIONS AND EXPECTATIONS - CHANGE OVER TIME

ECONOMIC PERFORMANCE

Economic performance refers to direct measures of success in terms of **economic outcomes**.

NEED INTERPRETATION

1. PRODUCT MARKETS

Sales, growth, marketshare

2. PROFITABILITY

Capital employed, per square meters, etc

3. FINANCIAL MARKET

EFFECTIVENESS PERFORMANCE

Broader set of performance criteria reflecting internal operational efficiency or measures **relevant to stakeholders**.

NEED INTERPRETATION

• BALANCED SCORECARD

The balanced scorecard is a strategy performance management tool that can be used by managers to **keep track of the execution of activities** by the **staff within their control** and to monitor the **consequences** arising from these actions.

STRATEGY + NON-FINANCIAL KPIs

• TRIPLE BOTTOM LINE

Triple bottom line is an **accounting framework** with three parts: **social, environmental and financial**.

PERFORMANCE COMPARISON

A. ORGANISATIONAL TARGETS

B. TRENDS OVER TIME

Growth of KPIs

C. COMPARATOR ORGANISATION

Comparing to competitors

GAP ANALYSIS

Compares **achieved** performance with **desired** performance

• SET GOALS

• WORK

• COMPARE

Based on the **size of the gap** companies understand if they're meeting performances.

• ACT

• RESTART

SAFE CRITERIA

Strategic options are evaluated against **three key success criteria**

SUITABILITY

is concerned with whether a strategy addresses the **key issues** relating to the **strategic position** of the organisation.

THREATS AND OPPORTUNITIES

1. RANKING
The strategic options
2. DECISION TREES
3. SCENARIOS
4. LIFECYCLE ANALYSIS
5. VRIO ANALYSIS

	UNDERSTAND	STRATEGIES
PESTEL	<ul style="list-style-type: none">• Environmental drivers• Changes in industry structure	<ul style="list-style-type: none">• Industry cycles• Industry convergence• Major environmental changes
SCENARIOS	<ul style="list-style-type: none">• Extent of uncertainty• Mutually exclusive strategies	<ul style="list-style-type: none">• Contingency plans• Different strategies
5 FORCES	<ul style="list-style-type: none">• Competitive forces• Industry attractiveness	<ul style="list-style-type: none">• Reduce competitive intensity• Pose barrier for competitors
STRATEGIC GROUPS	<ul style="list-style-type: none">• Attractiveness of groups• Mobility barriers• Strategic spaces and blue oceans	<ul style="list-style-type: none">• Repositioning in different market• Exploiting a new space
STRATEGIC CAPABILITIES	<ul style="list-style-type: none">• Industry threshold standards• Bases of competitive advantage	<ul style="list-style-type: none">• Eliminate weaknesses and exploit strengths
VALUE CHAIN	<ul style="list-style-type: none">• Opportunities for vertical integration• Outsourcing	<ul style="list-style-type: none">• Extent of chain optimisation
CULTURAL WEB	<ul style="list-style-type: none">• Links between organisational culture and strategy	<ul style="list-style-type: none">• Align strategy and culture

ACCEPTABILITY

is concerned with the expected performance outcomes of a strategy

RETURN - RISKS - STAKEHOLDER REACTIONS

- RISK
concerns the extent to which **strategic outcomes are unpredictable**, especially with regard to negative outcomes.
SENSITIVITY - RISK ANALYSIS - BREAK EVEN
- RETURNS
are the **benefits** which stakeholders are **expected** to receive **from a strategy**
FINANCIAL ANALYSIS: ROCE - Net cash flow - NPV
COST/BENEFITS ANALYSIS
REAL OPTOINS
SHAREHOLDER VALUE TSR - EVA
- STAKEHOLDER REACTIONS
MAPPING

TSR

Total shareholder return is a measure of the performance shares over time. It combines **share price appreciation** and **dividends paid** to show the total return to the shareholder expressed as an **annualized percentage**.

$$TSR = (Price_{end} - Price_{begin} + Dividends) / Price_{begin}$$

EVA

EVA is an estimate of a firm's economic profit, or the value created in excess of the required return of the company's shareholders.

$$EVA = (ROIC - WACC) \cdot (A - P_c)$$

REAL OPTIONS

A real option itself, is the right—but not the obligation—to **undertake certain business initiatives**, such as deferring, abandoning, expanding, staging, or contracting a capital investment project.

1. MIX FINANCIAL+STRATEGY
2. OFFSET CONSERVATORISM
3. VALUE EMERGING OPTIONS

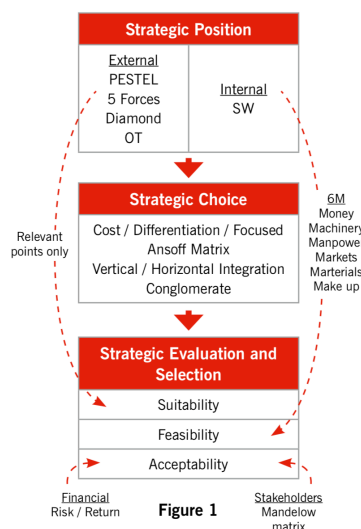
FEASIBILITY

is concerned with whether an organisation has the **resources and competences** to deliver a strategy.

FINANCIAL - PEOPLE AND SKILLS - RESOURCES

• PEOPLE AND SKILLS

ORGANISATION - REWARD - CULTURE - TRAINING - RECRUITMENT



Strategic change

MANAGING CHANGE



- **STRATEGY MATTERS**

In identifying **needs and direction** of change

- **CONTEXT MATTERS**

The right approach to change depends on **circumstances**

- **RESISTANCE AND INERTIA**

Getting people to change is **challenging**.

CHANGE AGENT

*A change agent is the individual or group that **effects strategic change** in an organisation*

LEADERSHIP

Leadership is the process of influencing an organisation

ENVISION ALIGN EMBODYING
CHARISMATIC OR TRANSITIONAL

Middle management implement the strategy:

- **ADVISERS**

- **SENSE MAKING**

For the specific part of the strategy

- **REINTERPRETATION**

- **SHORT TERM WINS**

The demonstration of such wins can galvanise commitment to the wider change strategy.

- **LOCAL LEADERSHIP**

Align and embody

MANAGEMENT STYLES



PARTICIPATION

- **LEADERS DELEGATES CHANGE**

- **EMPLOYEES ARE INVOLVED**

- **INCREASE COMMITMENT**

- **LEADER RETAIN CONTROL**

- **PERCEIVED AS MANIPULATION**

- **DISENCHANTMENT**

PERSUASION

- **CONVINCE**

- **MAKE CHANGE RELEVANT**

- **ENSURE COMMUNICATION**

- **REINFORCE BEHAVIOURAL GUIDELINES**

And enhance the reward system.

- **ACCEPTANCE**

- **LONG TIME AND COSTLY**

DIRECTION

- **PERSONAL AUTHORITY TO ESTABLISH CLARITY**

- **RAPID CHANGE WITH SPECIFIC OUTCOMES**

- **LESS SUPPORT**

- **RESISTED CHANGES**

COLLABORATION

- INVOLVE
- INCREASE OWNERSHIP AND COMMITMENT
- BUILD CAPABILITIES OF CHANGE
- **LITTLE CONTROL**

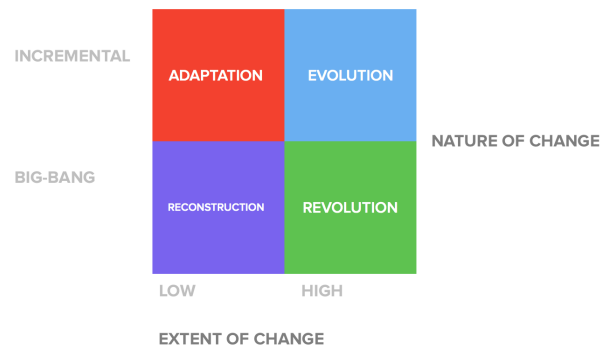
FORCEFIELD ANALYSIS

Provides a view of forces that act to **prevent or facilitate changes**.

POLITICAL CHANGE

- CONTROL OF RESOURCES
- SUPPORT WITH ELITES
- ALLIANCES IN INDUSTRY

TYPES OF STRATEGIC CHANGES



TURNAROUND STRATEGY

Turnaround strategy is where the emphasis is on **speed of change** and rapid **cost reduction and/or revenue generation**.

- CRISIS
- MANAGEMENT CHANGE
- GAIN STAKEHOLDER SUPPORT
- FOCUS PRODUCTS AND MARKET
- FINANCIAL RESTRUCTURE

ORGANISATIONAL AMBIDEXTERITY

Companies where the **tension between two different business models** is described as "organisational ambidexterity"

Learning outcomes

Chapter 1 - Introducing strategy

1. Understand the characteristics of strategic decisions and what is meant by strategy and strategic management, distinguishing them from operational management;
2. Understand how strategic priorities vary by level: corporate, business and operational;
3. Understand the basic vocabulary of strategy, as used in different contexts;
4. Understand the fundamental elements of the Exploring Corporate Strategy strategic management model: strategic position, strategic choices and strategy in action.

Chapter 2 - The environment

1. Analyse the broad macro-environment of organisations in terms of political, economic, social, technological, environmental (green) and legal factors (PESTEL).
2. Identify key drivers in this macro-environment and use these key drivers to construct alternative scenarios with regard to environmental change.
3. Use five forces analysis in order to define the attractiveness of industries and sectors for investment and to identify their potential for change.
4. Identify strategic groups, market segments and critical success factors, and use them in order to recognise strategic gaps and opportunities in the market.

Chapter 3 - Strategic capability

1. Distinguish elements of strategic capability in organisations: resources, competences, core competences and dynamic capabilities.
2. Recognise the role of continual improvement in cost efficiency as a strategic capability.
3. Analyse how strategic capabilities might provide sustainable competitive advantage on the basis of their value, rarity, inimitability and non-substitutability.
4. Diagnose strategic capability by means of value chain analysis, benchmarking and SWOT analysis.

Chapter 4 - Strategic purpose

1. Identify the components of the governance chain of an organisation.
2. Understand differences in governance structures across the world and the advantages and disadvantages of these.
3. Identify differences in the corporate social responsibility stances taken by organisations and how ethical issues relate to strategic purpose.
4. Consider the various stakeholders who may influence an organisation and the expectations they have.
5. Consider appropriate ways to express the strategic purpose of an organisation in terms of statements of values, vision, mission or objectives.

Chapter 5 - Culture and strategy

1. Identify organisations that have experienced strategic drift and recognise the symptoms of strategic drift.
2. Analyse the influence of an organisation's culture on its strategy using the cultural web.
3. Recognise the importance of strategists questioning the taken-for-granted aspects of a culture.

Chapter 6 - Business level strategy

1. Explain bases of achieving competitive advantage in terms of 'routes' on the strategy clock.
2. Assess the extent to which these are likely to provide sustainable competitive advantage.
3. Explain the relationship between competition and collaboration.

Chapter 7 - Strategic direction

1. Identify alternative directions for strategy, including market penetration or consolidation, product development, market development and diversification.
2. Recognise when diversification is an effective strategy for growth.
3. Distinguish between different diversification strategies (related and unrelated) and identify conditions under which they work best.
4. Analyse the ways in which a corporate parent can add or destroy value for its portfolio of business units.
5. Analyse portfolios of business units and judge which to invest in and which to divest.

Chapter 8 - International strategy

1. Assess the internationalisation potential of different markets, sensitive to variations over time.
2. Identify sources of competitive advantage in international strategy, both through global sourcing and exploitation of local factors embodied in Porter's Diamond.
3. Distinguish between four main types of international strategy.
4. Rank markets for entry or expansion, taking into account attractiveness, cultural and other forms of distance and competitor retaliation threats.
5. Assess the relative merits of different market entry modes, including joint ventures, licensing and foreign direct investment.

Chapter 9 - Strategy Methods and Evaluation

1. Identify the methods by which strategies can be pursued: organic development, mergers and acquisitions and strategic alliances.
2. Employ three success criteria for evaluating strategic options: suitability, acceptability and feasibility.
3. Use a range of different techniques for evaluating strategic options.

Chapter 10 - Strategic Management

1. Analyse the main structural types of organisation in terms of their strengths and weaknesses.
2. Recognise how organisational processes (such as planning systems and performance targets) need to be designed to fit the circumstances in which strategies are delivered (such as an organisation's size, the type of the product/service and the nature of the markets).
3. Assess the impact of the roles and management styles of change agents.
4. Assess the value of different levers for strategic change.

Chapter 11 - Strategic change

1. Identify and assess the different styles of leading strategic change.
2. Analyze how organisational context might affect the design of strategic change.
3. Undertake a forcefield analysis to identify forces blocking and facilitating change.
4. Assess the value of different levers for strategic change.
5. Identify types of required strategic change.
6. Identify the approaches, pitfalls and problems of leading strategic change.