

Lecture 4

Important Definitions

Strategic Management Process

The full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average returns

Strategic Competitiveness

Achieved when a firm successfully formulates and implements a value-creating strategy

Above-Average Returns

Occurs when a firm develops a strategy that competitors are not simultaneously implementing

Provides benefits which current and potential competitors are unable to duplicate

Important Definitions

Risk

An investor's uncertainty about the economic gains or losses that will result from a particular investment

Average Returns

Returns that are equal to those an investor expects to earn from other investments with a similar amount of risk

Strategic Flexibility

A set of capabilities used to respond to various demands and opportunities existing in a dynamic and uncertain competitive environment

It involves coping with uncertainty and the accompanying risks

Strategic Management – Decision Making Process

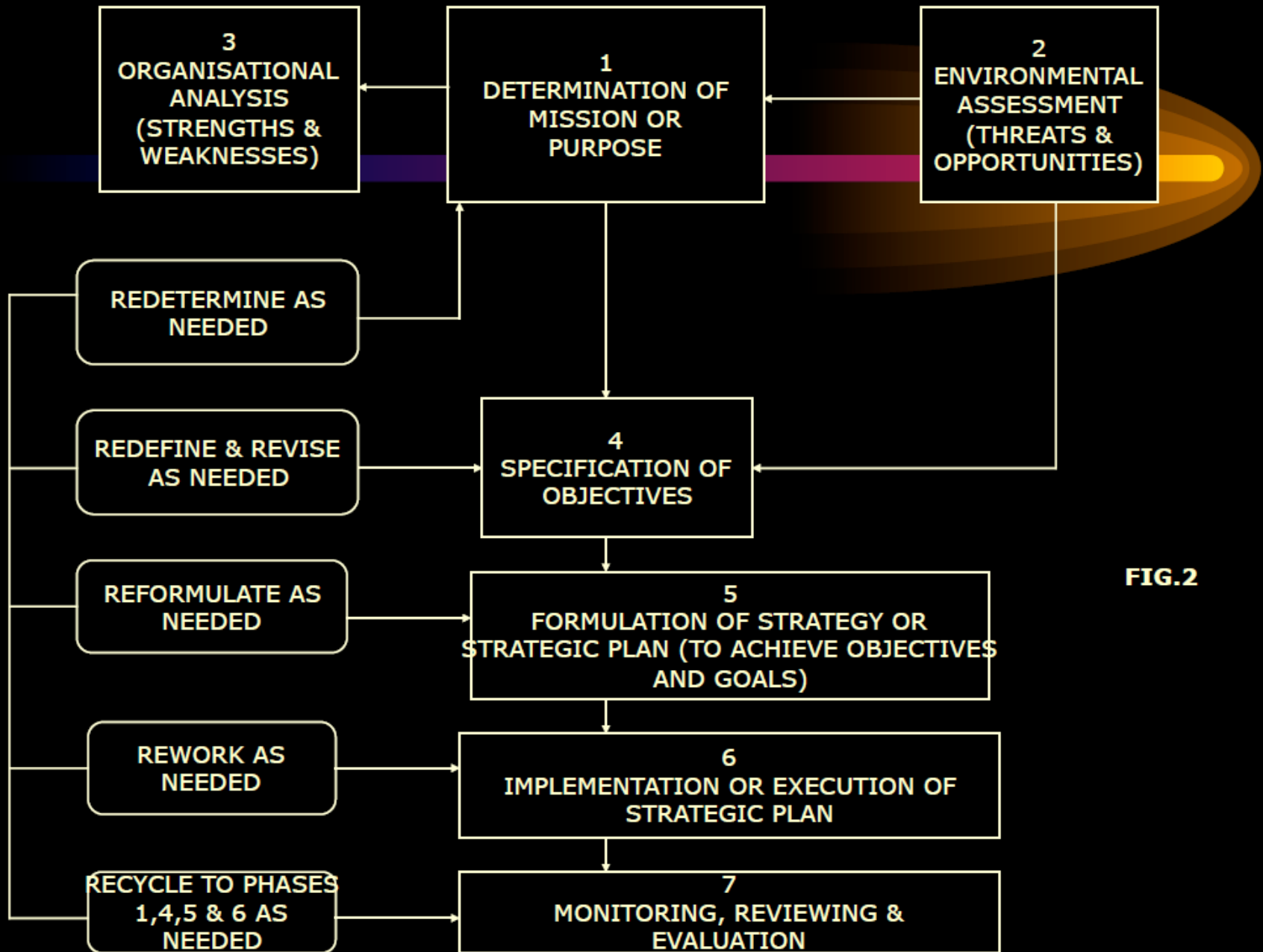
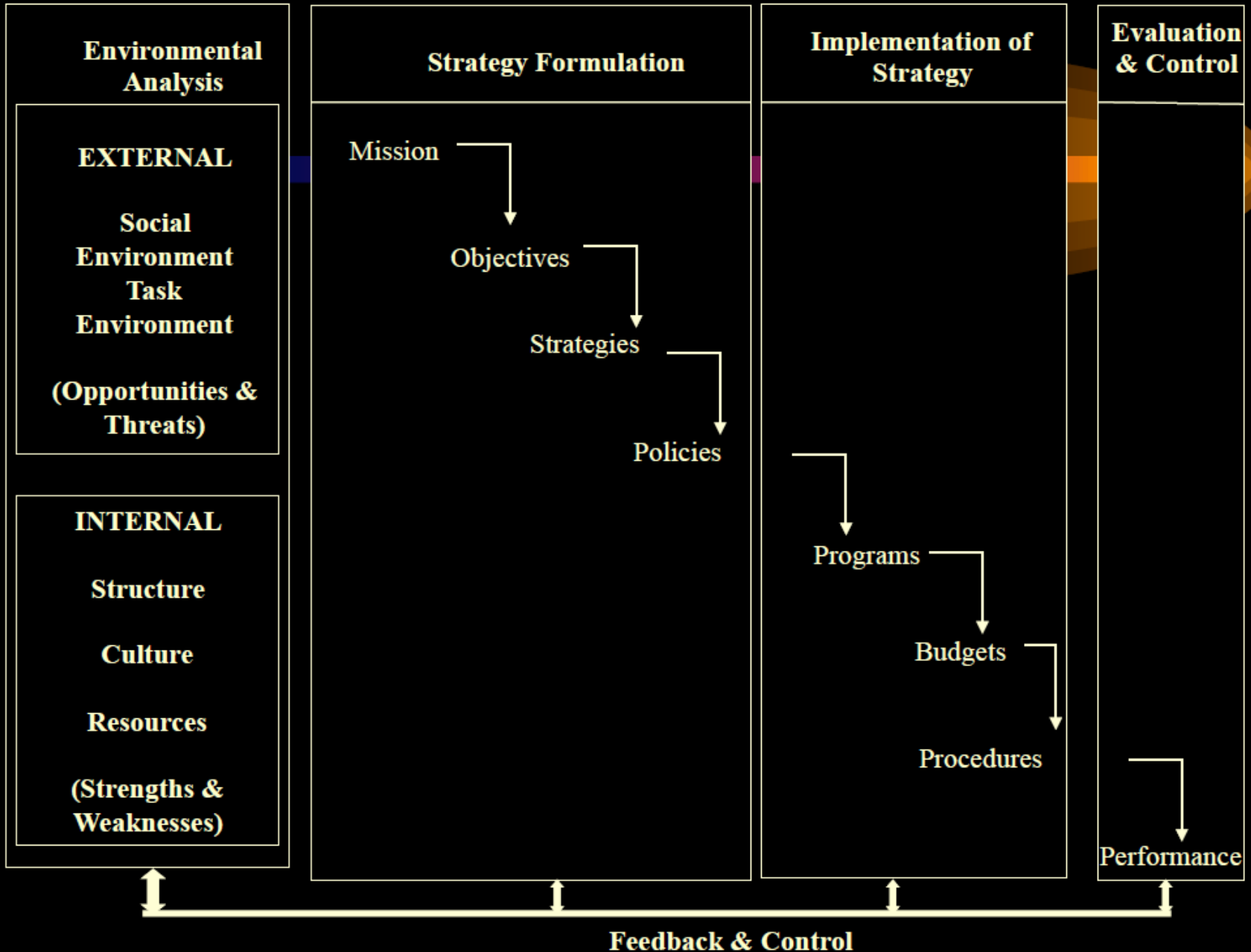


FIG.2

Strategic Management Process



LEARNING ORGANISATION – FOUR MAIN ACTIVITIES



- Solving Problems Systematically
- Experimenting with New Approaches
- Learning from their own past experiences and past history as well as from the experiences of others
- Transferring knowledge quickly and efficiently throughout the Organisation

Lecture 5

Mintzberg's Modes of Strategic Decision Making

- * **Entrepreneurial Mode:** by one powerful individual. Focus is on Opportunities ; problems are secondary; guided by founder's own vision of direction; exemplified by large, bold decisions. Ex. AOL (founder STEVE CASE) (though clear growth strategy is an advantage of the entrepreneurial mode, tendency to mkt products before being able to support them is certainly a disadvantage)
- * **Adaptive Mode:** 'Muddling through' ; characterised by reactive solutions to existing problems - Much bargaining goes on concerning priorities of objectives - Strategy is fragmented and is developed to move the company forward incrementally. Ex. Typical of our Universities, Edn System, Govt agencies (Encyclopedia Britannica Inc. has moved away from this approach to Telvn Advtg & Internet mktg from 1996 after acquisition by the dual career couples)

- * **Planning Mode:** Systematic gathering of appropriate information for situation analysis, generation of feasible alternative strategies and rational selection of the most appropriate strategy - includes proactive search for new opportunities and relative solutions of existing problems.

Ex. J.C. Penny Co. - after careful study of shopping trends in 1980's moved out of hardware, appliances, automotive items & electronics to apparel and home furnishings . Lower personal incomes in 1990's led J.C. Penny to emphasise private brands; could offer high quality of goods at lower prices in dept stores.

- * **Logical Incrementalization-** syntheses of planning, adaptive and to a lesser extent entrepreneurial mode of decision making. – Organisation learns through an interactive process of probing into the future, experimenting and learning from a series of incremental commitments rather than through global formulations of total strategies. Useful when the environment is changing rapidly and it is important to build consensus and develop needed resources before committing the organisation to a specific strategy.

CORP. PLAN-

CHANGES IN THE OVERALL SHAPE OF AN ORGN - TAKES YRS TO FRUCTIFY i.e. LONG-RANGE

HOWEVER CORP. PLAN & LRP DO NOT MEAN THE SAME.
LRP ASSUMES CURRENT ENVNT TO REMAIN INFUTURE AS WELL - BUILT FROM LOWER LEVELS IN ORGN. STRATEGY MAKING STARTS AT THE TOP MGT

- DENOTES PLG. FOR FUTURE OF THE ORGN AS A WHOLE; CONSIDERS ALL ASPECTS OF ORGN ACTIVITIES
- INTEGRATES STRATEGIC PLG WITH SHORT RANGE OPNL PLANS

CORP PLG & SYSTEMS APPROACH - COMPUTER MODELS CAN BE USED AS AN ADJUNCT OF SYSTEMS APPROACH; USEFUL FOR LARGE ENTERPRISES FOR FINL EVALN - HOWEVER, SH. NOT CREATE MGRL PBLMS; DATA HAS TO BE REGULARLY UPDATED

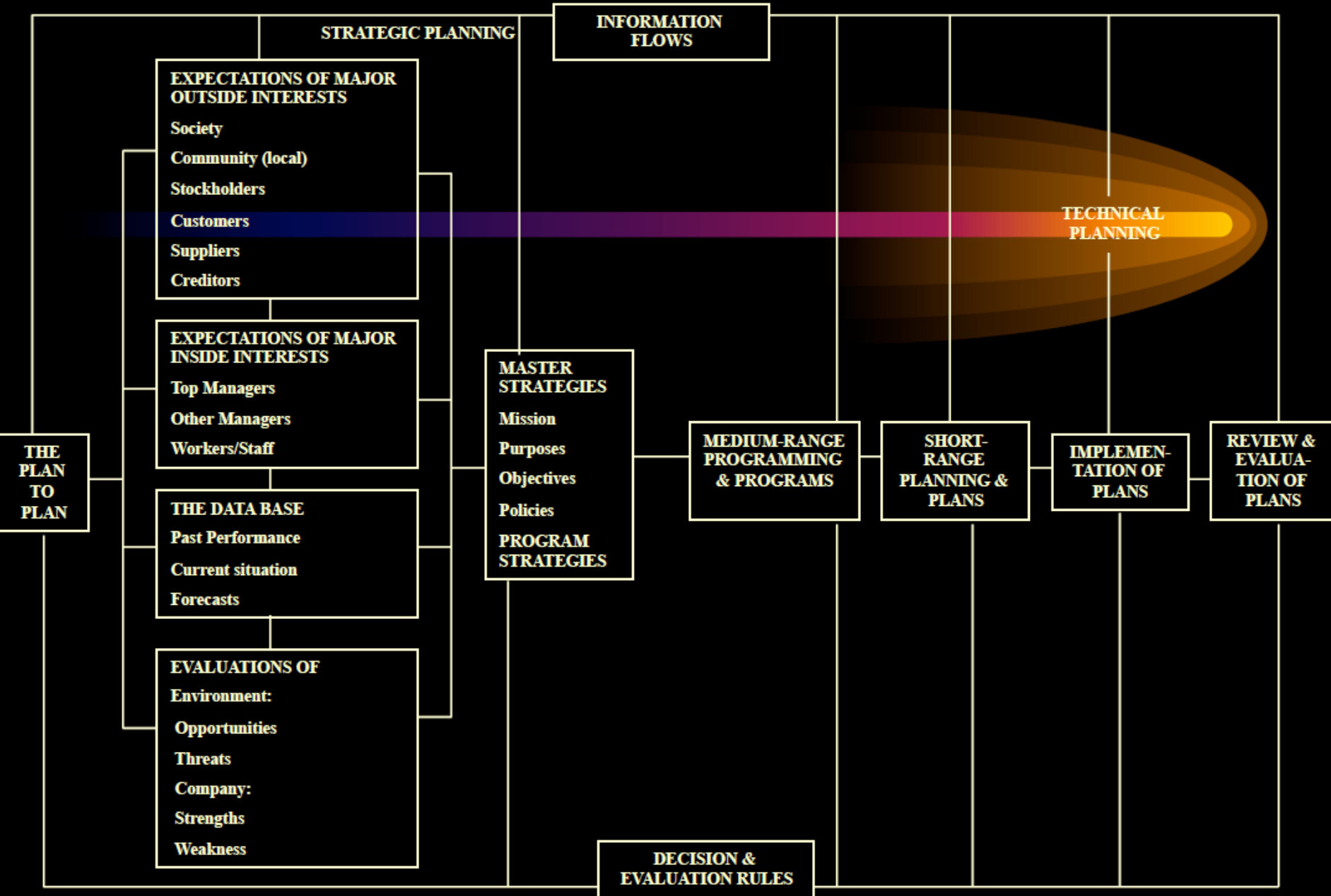
BENEFITS OF C.P. - ANTICIPATE TECHGL. CHANGES & ACHIEVE STRATEGIC OBJS & GOALS
RATIONAL RES. ALLOCATION
IMPROVED COORDINATION
EMPHASIS ON MANPOWER DEVPT
NEW PROD. DEVPT & LONG TERM NVESTMENTS
NEW SENSE OF DIRECTION

STUDIES IN US - ↑38 TO 40% IN SALES

↑64% IN EPS

↑56% IN SHARE PRICES WITH C.P.

Figure 3.1A Conceptual Model of Corporate Planning

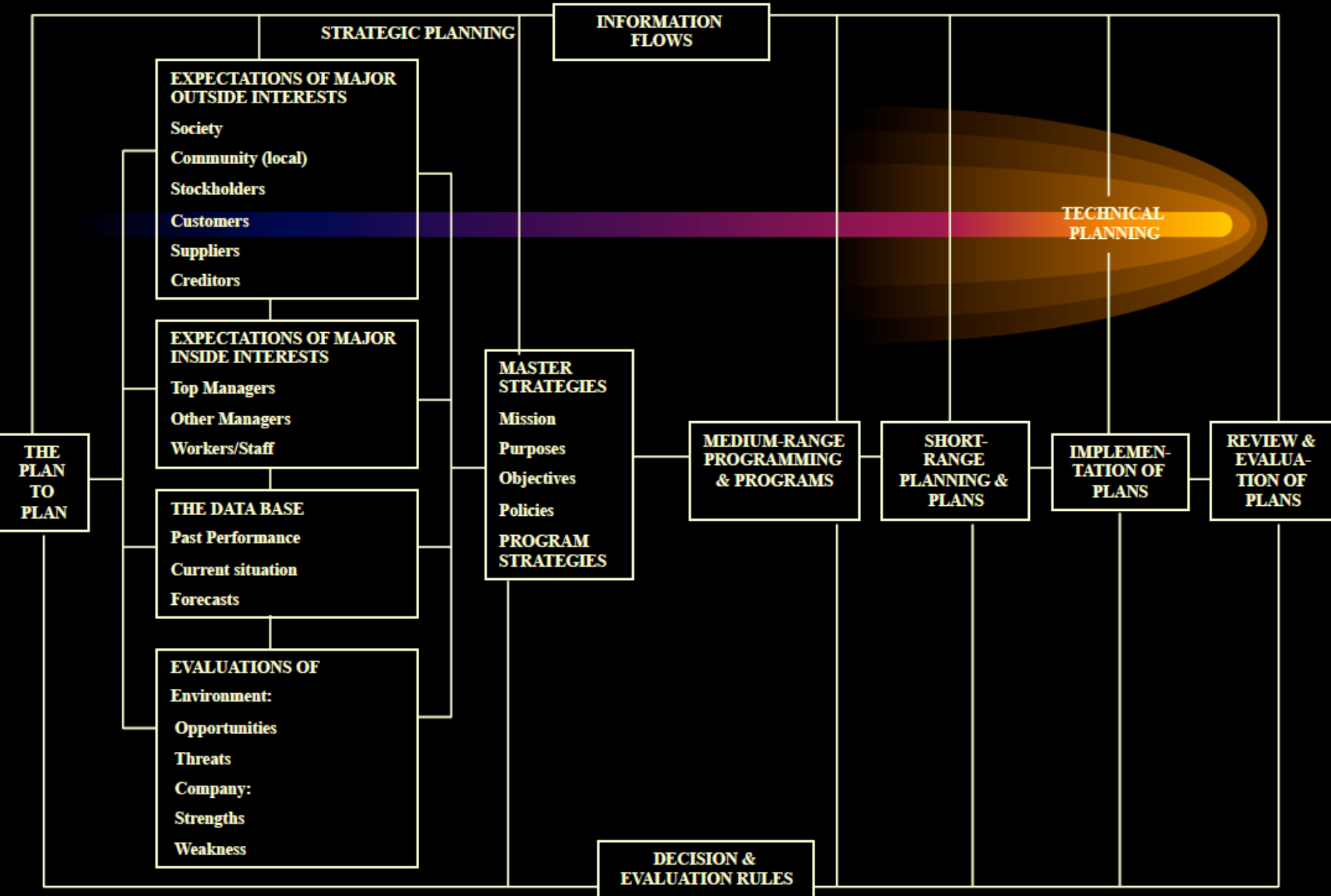


Source: 1. George A. Steiner, et. Al.; *Management Policy and Strategy: Text, Readings and Cases*, p.18

2. John D.C. Roach and Michael G. Allen, "Strengthening the Strategic Planning Process" in *The Strategic Management Handbook*, Kenneth J. Albert (ed.), pp.7-10

Lecture 6

Figure 3.1A Conceptual Model of Corporate Planning



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ORGNL CHANGE - COMPLEX RELATIONSHIP BETWEEN STRATEGY, STRUCTURE, SYSTEMS, STYLE, SKILL, STAFF AND SUPER ORDINATE GOALS
- SHOWN BY MCKINSEY 7S FRAMEWORK IN FIG. 3

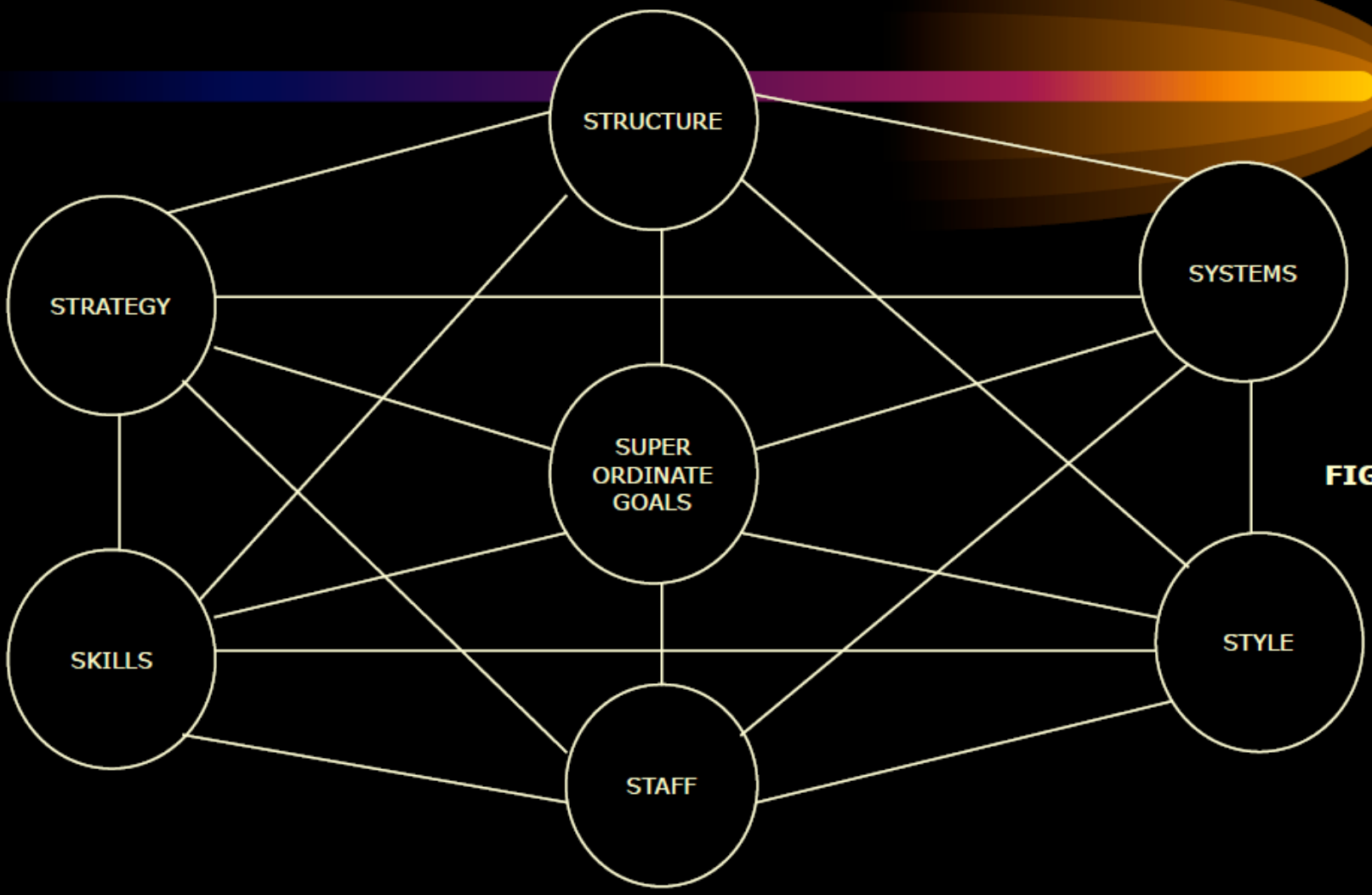


FIG. 3

SUPER ORDINATE GOALS: SET OF VALUES AND ASPIRATIONS THAT GOES BEYOND THE THE CONVENTIONAL FORMAL STATEMENT OF CORP. OBJECTIVES; ARE FUNDAMENTAL IDEAS AROUND WHICH A BUSINESS IS BUILT - ITS MAIN VALUES

E.g.: IBM's MKTG: "CUSTOMER SERVICE"

GE's: "PROGRESS IS OUR MOST IMPORTANT MOTTO"

HEWLETT - PACKARD: "INNOVATIVE PEOPLE AT ALL LEVELS IN ORGN"

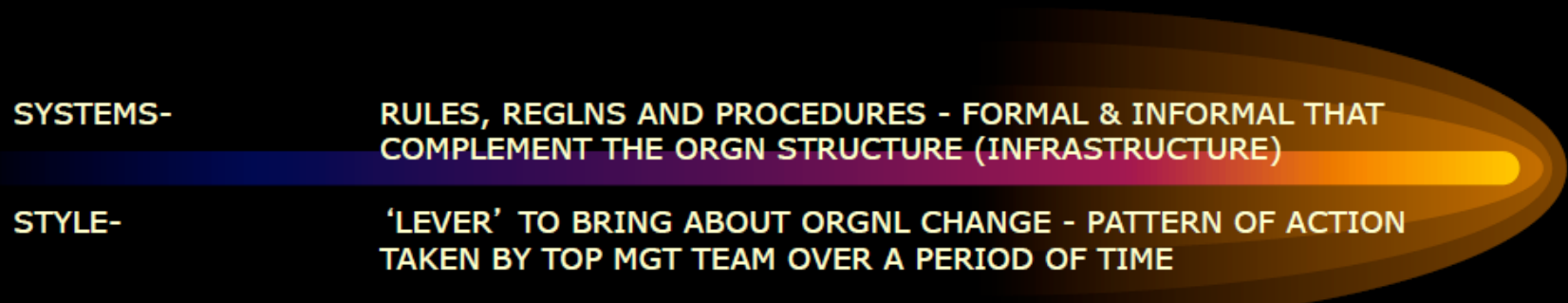
ASCI: "WE TRAIN OUR MANAGERS"

MAY NOT MEAN MUCH TO OUTSIDERS BUT HAVE TREMENDOUS SIGNIFICANCE FOR THOSE INSIDE

STRUCTURE: PRESCRIBES FORMAL RELNSHIPS AMONG VARIOUS POSITIONS AND ACTIVITIES

- REDUCES EXTERNAL UNCERTAINTY THRO' FORECASTING, RES & PLG IN THE ORGN**
- REDUCES INTL UNCERTAINTY ARISING OUT OF VARIABLE, UNPREDICTABLE, RANDOM HUM. BEHAVR WITHIN THE ORGN. THRO' CONTROL MECHANISM**
- UNDERTAKES WIDE VARIETY OF ACTIVITIES THRO' DEVICES SUCH AS DEPARTMENTALISATION, SPECLN, DIVN. OF LABR, AND DELEGATION OF AUTHORITY'**
- ENABLES COORDN OF ORGN' S ACTIVITIES & TO HAVE FOCUS**

ACCING TO MCKINSEY (7S FRAMEWORK) - RELNSHIP BETWEEN STRATEGY AND STRUCTURE RARELY PROVIDES UNIQUE STRUCTURAL SOLNS - EXECUTION PROBLEMS



SYSTEMS-	RULES, REGLNS AND PROCEDURES - FORMAL & INFORMAL THAT COMPLEMENT THE ORGN STRUCTURE (INFRASTRUCTURE)
STYLE-	'LEVER' TO BRING ABOUT ORGNL CHANGE - PATTERN OF ACTION TAKEN BY TOP MGT TEAM OVER A PERIOD OF TIME
STAFFING-	SELECTION, PLACEMENT, TRG & DEVPT OF APPROPRIATELY QUALIFIED EMPLOYEES EG: HIND. LEVER
SKILLS-	ONE OF THE MOST CRUCIAL ATTRIBUTES OR CAPABILITIES OF AN ORGN - DISTINCTIVE COMPETENCE EG: HIND. LEVER - MKTG SKILLS TELCO - ENGG. SKILLS
7-S FRAMEWORK-	THE REAL TASK OF IMPLEMENTING STRATEGY IS ONE OF BRINGING ALL 7-Ss INTO HARMONY - HELPS BY PROVIDING A CHECKLIST FOR JUDGING WHETHER ORGN IS RIPE FOR IMPLEMENTING STRATEGY - POWERFUL EXPOSITORY TOOL

END OF RESOURCE