


Module 7
Strategy and
Strategic Management

Module 7

- What types of strategies are used by organizations?
- How are strategies formulated and implemented?



7.1

Types of organizational strategies


- Comprehensive plan for achieving competitive advantage
- Used at corporate, business and functional levels
- Growth and diversification focus on expansion
- Restructuring and divestiture focus on consolidation



7.1 CONTINUED

Types of organizational strategies

- Global strategies focus on international business
- Cooperative strategies find opportunities in alliances and partnerships
- E-business strategies focus on using the Internet for business success



TYPES OF STRATEGIES

Competitive Advantage


- Strategy
 - a comprehensive plan guiding resource allocation to achieve long-term organization goals.
- Strategic Intent
 - focuses organizational energies on achieving a compelling goal.
- Competitive Advantage
 - operating in successful ways that are difficult to duplicate.



TYPES OF STRATEGIES

Corporate Strategy

- Corporate Strategy
 - Directions and guidelines for use of resources
- Business Strategy
 - Identifies how a strategic business unit or division will compete in its product or service domain
- Functional Strategy
 - Guides activities within one specific area of operations



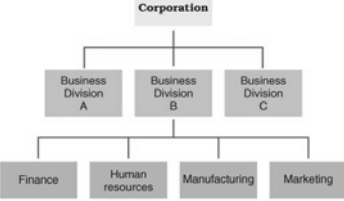
TYPES OF STRATEGIES

Corporate Strategy

Corporate strategy
What businesses are we in?


Business strategy
How do we compete in each of our major businesses?

Functional strategy
How do we best support each of our business strategies?



```



graph TD
    Corp[Corporation] --> DivA[Business Division A]
    Corp --> DivB[Business Division B]
    Corp --> DivC[Business Division C]
    DivA --> Finance
    DivA --> HR[Human resources]
    DivB --> Manufacturing
    DivC --> Marketing
            
```



TYPES OF STRATEGIES

Growth and Diversification Strategies

- Growth Strategy
 - Expansion through current operations
- Concentration
 - Expansion within an existing business area
- Diversification
 - Expansion occurs by entering new business areas
- Vertical Integration
 - Expansion by acquiring existing suppliers or distributors

TYPES OF STRATEGIES

Restructuring and Divestiture

- Retrenchment
 - Changes operations to correct weaknesses
 - Liquidation
 - An extreme form of retrenchment wherein the business closes and sells off its assets
- Restructuring
 - Reduces the scale or mix of operations
- Downsizing
 - Decreases the size of operations
- Divestiture
 - Sells off part of the organization to focus on core businesses



TYPES OF STRATEGIES

Global Strategies


- Globalization Strategy
 - Adopts standardized products and advertising for use worldwide
- Multidomestic Strategy
 - Customizes advertising and products to best fit local needs
- Transnational Strategy
 - Seeks efficiencies of global operations with attention to local markets



TYPES OF STRATEGIES

Cooperative Strategies


- Strategic Alliances
 - Partnership between organizations to pursue mutual interests or strengthen competitive advantage
- Supply Chain
 - Preferred relationships that facilitate smooth and timely transactions
- Co-opetition
 - Competitors share information or technology



TYPES OF STRATEGIES

E-business

- E-business Strategies
 - Focus on Using the Internet for Business Transactions
- B2B Business Strategies
 - Use IT and Web portals to vertically link organizations with members of their supply chains.
- B2C Business Strategies
 - Use IT and Web portals to vertically link organizations with members of their customers.



7.2

Strategic Management

- The strategic management process formulates and implements strategies.
- Strategy formulation begins with the organization's mission and objectives.
- SWOT analysis identifies strengths, weaknesses, opportunities, and threats.
- Porter's five forces model examines industry attractiveness.



7.2 continued

Strategic Management

- Porter's competitive strategies model examines business or product strategies.
- Portfolio planning examines strategies across multiple businesses or products.
- Strategic leadership activates organizations for strategy implementation.



STRATEGIC MANAGEMENT

Strategic Management Process

- Strategic management
 - the process of formulating and implementing strategies.
- Strategy Formulation
 - the process of creating strategies.
- Strategy Implementation
 - the process of putting strategies into action.



STRATEGIC MANAGEMENT


Strategic Management Process



STRATEGIC MANAGEMENT

Strategy Formulation

- Mission Statement
 - The reason for the organizations existence in society
- Operating Objectives
 - Specific results that organizations attempt to achieve



STRATEGIC MANAGEMENT

Strategy Formulation

Common Operating Objectives of Organizations


- Profitability
- Market share
- High-quality workforce
- Cost efficiency
- Product and service quality
- Innovativeness
- Social responsibility



STRATEGIC MANAGEMENT


SWOT Analysis

- SWOT analysis is a tool used in strategic planning to determine the current status of the organization.
 - Internal assessment of the organizational strengths and weaknesses
 - External assessment of environmental opportunities and threats



STRATEGIC MANAGEMENT

SWOT Analysis



Internal Assessment of the Organization

What are our strengths?

- Manufacturing efficiency?
- Skilled workforce?
- Good market share?
- Strong financing?
- Superior reputation?

What are our weaknesses?

- Outdated facilities?
- Inadequate R & D?
- Obsolete technologies?
- Weak management?
- Past planning failures?

SWOT Analysis


What are our opportunities?

- Possible new markets?
- Strong economy?
- Weak market rivals?
- Emerging technologies?
- Growth of existing market?

What are our threats?

- New competitors?
- Shortage of resources?
- Changing market tastes?
- New regulations?
- Substitute products?


External Assessment of the Environment



STRATEGIC MANAGEMENT

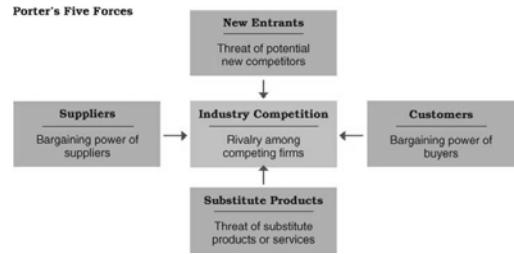
SWOT Analysis

- Core Competency
 - A special strength that gives an organization a competitive advantage



STRATEGIC MANAGEMENT


Porter's Five Forces



STRATEGIC MANAGEMENT

Porter's Five Forces

- Unattractive industry
 - intense rivalry, easy entry, substitute products, powerful suppliers and customers
- Attractive industry
 - low rivalry, barriers to entry, few or no substitute products, weak supplier and customer power




STRATEGIC MANAGEMENT

Porter's Competitive Strategies

Porter's Competitive Strategies

- Differentiation Strategy
 - Offers products and services that are uniquely different from the competition.
- Focused Differentiation Strategy
 - offers a unique product to a special market segment.
- Cost Leadership Strategy
 - Seeks to operate at lower costs than competitors.
- Focused Cost Leadership Strategy
 - uses cost leadership and target needs of a special market.



STRATEGIC MANAGEMENT

Porter's Competitive Strategies

Market Scope

Broad

Narrow

Low Price

Unique Product


Source of Competitive Advantage

Cost leadership strategy
Big K Kola

Differentiation strategy
Coke, Pepsi

Focused low cost strategy
Red Cherry Pop

Focused differentiation strategy
A & W Root Beer, YooHoo



STRATEGIC MANAGEMENT

Portfolio Planning

- BCG Matrix
 - Analyzes business opportunities according to growth rate and market share

Market Growth Rate for Products/Services

High

Low

Market Share of Products/Services

Low


High

Question Marks
poor position; growing industry
Growth or retrenchment strategy

Stars
dominant position; growing industry
Growth strategy

Dogs
poor position; low-growth industry
Retrenchment strategy


Cash Cows
dominant position; low-growth industry
Stability or modest growth strategy



STRATEGIC MANAGEMENT

Strategic Leadership


- Strategic Leadership
 - The capability to inspire people to successfully engage in a process of continuous change, performance enhancement, and implementation of organizational strategies.



STRATEGIC MANAGEMENT

Strategic Leadership

- Strategic Control
 - Responsibility of management to stay on top of strategy, how it's being implemented and if it needs to be adjusted to be more effective in accomplishing the mission.



Module 7 Case

- **Case Snapshot - Dunkin' Donuts: Betting Dollars on Donuts**

