



# Strategic Management Process of Crafting and Executing

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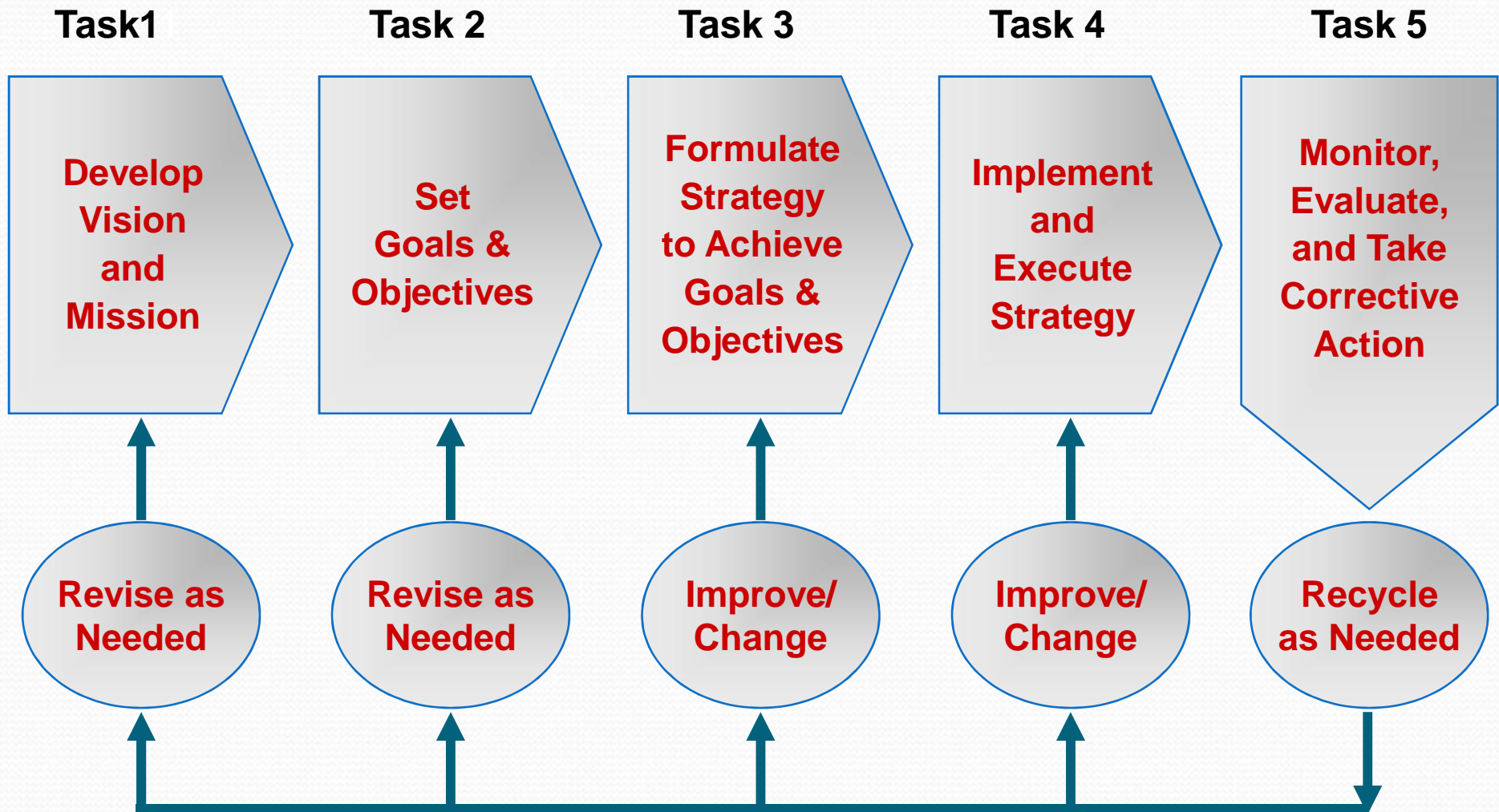
## Benefits of “Strategic Thinking” and a “Strategic Approach” to a Company

**“Without a strategy the organization is like a ship without a rudder, going around in circles.”**

***HELPS A COMPANY PREPARE FOR THE FUTURE!***



# 5 Tasks of Strategic Management



# The Roadmap

- What Does the Strategy-Making, Strategy-Executing process Entail?
  - **Phase 1:** Developing a Strategic Vision & Mission
  - **Phase 2:** Setting Goals & Objectives
  - **Phase 3:** Formulating & Crafting a Strategy
  - **Phase 4:** Implementing and Executing the Strategy
  - **Phase 5:** Evaluating Performance and Initiating Corrective Adjustments
- Leading the Strategic Management Process
- Corporate Governance: The Role of the Board of Directors in the Strategy-Making, Strategy-Executing Process



## Phase 1

# Developing a Strategic Vision

- Involves thinking strategically about
  - Future direction of company
  - Changes in company's product/market/customer technology to improve
    - ❖ Current market position
    - ❖ Future prospects

Statement about a company's long-term direction

## Key Elements of a Strategic Vision

- Delineates management's aspirations for the business
- Provides a panoramic view of “where we are going”
- Charts a strategic path
- Is *distinctive* and *specific* to a particular organization
  - Avoids use of generic language that is dull and boring and that could apply to most any company
- Captures the emotions of employees and steers them in a common direction
- Is challenging and a bit beyond a company's immediate reach



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## Role of a Strategic Vision

- A well-conceived, well-communicated vision functions as a valuable managerial tool to
  - Give the organization a sense of direction, mold organizational identity, and create a *committed* enterprise
  - Illuminate the company's directional path
  - Provide managers with a reference point to
    - ❖ Make strategic decisions
    - ❖ Translate the vision into hard-edged objectives and strategies
    - ❖ Prepare the company for the future



## Characteristics of an Effectively Worded Vision Statement

<b>Graphic</b>	Paints a picture of the kind of company that management is trying to create and the market position(s) the company is striving to stake out.
<b>Directional</b>	Is forward-looking; describes the strategic course that management has charted and the kinds of product/market/customer/technology changes that will help the company prepare for the future.
<b>Focused</b>	Is specific enough to provide managers with guidance in making decisions and allocating resources.
<b>Flexible</b>	Is not a once-and-for-all-time statement—the directional course that management has charted may have to be adjusted as product/market/customer/technology circumstances change.
<b>Feasible</b>	Is within the realm of what the company can reasonably expect to achieve in due time.
<b>Desirable</b>	Indicates why the direction makes good business sense and is in the long-term interests of stakeholders (especially shareowners, employees, and customers).
<b>Easy to communicate</b>	Is explainable in 5–10 minutes and, ideally, can be reduced to a simple, memorable slogan (like Henry Ford's famous vision of "a car in every garage").

Source: Based partly on John P. Kotter, *Leading Change* (Boston: Harvard Business School Press, 1996), p. 72.



## Common Shortcomings in Company Vision Statements

<b>Vague or incomplete</b>	Short on specifics about where the company is headed or what the company is doing to prepare for the future.
<b>Not forward-looking</b>	Doesn't indicate whether or how management intends to alter the company's current product/market/customer/technology focus.
<b>Too broad</b>	So inclusive that the company could head in most any direction, pursue most any opportunity, or enter most any business.
<b>Bland or uninspiring</b>	Lacks the power to motivate company personnel or inspire shareholder confidence about the company's direction or future prospects
<b>Not distinctive</b>	Provides no unique company identity; could apply to companies in any of several industries (or at least several rivals operating in the same industry or market arena).
<b>Too reliant on superlatives</b>	Doesn't say anything specific about the company's strategic course beyond the pursuit of such lofty accolades as <i>best</i> , <i>most successful</i> , <i>recognized leader</i> , <i>global</i> or <i>worldwide leader</i> , or <i>first choice of customers</i> .

Sources: Based on information in Hugh Davidson, *The Committed Enterprise: How to Make Vision and Values Work* (Oxford: Butterworth-Heinemann, 2002), Chapter 2; and Michel Robert, *Strategy Pure and Simple II: How Winning Companies Dominate Their Competitors* (New York: McGraw-Hill, 1998), Chapters 2, 3, and 6.



# Example: Vision Statement

***Microsoft Corporation  
(Old Vision)***

“ A computer on every  
desk, in every home”

# Example: Vision Statement

## *Microsoft Corporation (New Vision)*

" Create experiences that combine the magic of software with the power of Internet services across a world of devices"



# Strategic Vision vs. Mission

- A **strategic vision** concerns a firm's **future** business path - "**where we are going**"
  - ❖ Markets to be pursued
  - ❖ Future product/market/customer/technology focus
  - ❖ Kind of company management is trying to create

## **Mission statement**

- Focuses on its **present** business purpose - "**who we are and what we do**"
- **Defines a company's business**
  - ❖ Current product and service offerings
  - ❖ Customer needs and customer groups being served
  - ❖ Geographic coverage

# Characteristics of a Mission Statement

- Identifies **boundaries** of a company's **current** business and says something about
  - ❑ Present products and services
  - ❑ Types of customers served
  - ❑ Geographic coverage
- Conveys
  - ❑ **Who** we are,
  - ❑ **What** we do, and
  - ❑ **Why** we are here

A good mission statement describes a company's **business makeup and purpose** in language **specific enough** to give the company **its own identity** and **distinguish it from other enterprises** in the same or other industries!



# Key Elements of a Mission Statement

- A complete mission statement should cover three things:
  - Customer needs being met –  
*What is being satisfied*
  - Customer groups or markets being served –  
*Who is being satisfied*
  - What the organization does (in terms of business approaches, technologies used, and activities performed) to satisfy the targeted needs of the targeted customer groups –  
*How customer needs are satisfied*

# Example: Mission Statement

***Microsoft Corporation***

“Enabling people and businesses throughout the world to realize their full potential”



## More Mission Statements ...



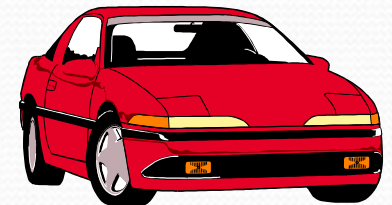
### *Otis Elevator*



Our *mission* is to provide any customer a means of moving people and things up, down, and sideways over short distances with higher reliability than any similar enterprise in the world.



### *Avis Rent-a-Car*



Our *business* is renting cars. Our *mission* is total customer satisfaction.

# Overcoming Resistance

- Mobilizing **support** for a **new vision** entails
  - Reiterating basis for the new direction
  - Addressing employee concerns head-on
  - Calming fears
  - Lifting spirits
  - Providing updates and progress reports as events unfold



## A Clear Strategic Vision Results.....

- ❖ *Crystallizes* an organization's long-term direction
- ❖ *Reduces risk* of rudderless decision-making
- ❖ Creates a *committed enterprise* where organizational members enthusiastically pursue efforts to make the vision a reality
- ❖ Provides a beacon to keep *strategy-related actions* of all managers on common path
- ❖ Helps an organization *prepare for the future*

## Phase 2

### Setting Goals & Objectives

- **Purpose** of **setting objectives**
  - ❖ Converts vision into specific performance targets
  - ❖ Creates yardsticks to track performance
  - ❖ Focused on results
- **Well-stated objectives** are
  - ❖ **Quantifiable**
  - ❖ **Measurable**
  - ❖ Time-based
  - ❖ Contain a **deadline** for achievement
- Detailing **how much** of **what kind** of performance **by when**





# Importance of Setting Stretch Objectives

- ❑ **Objectives** should be set at levels that **stretch** an organization to
  - ❖ Perform at its full potential, delivering the best possible results
  - ❖ Push firm to be more inventive
  - ❖ Exhibit more urgency to improve its business position
  - ❖ Be intentional and focused in its actions

# Types of Objectives Required

## Financial Objectives

Outcomes focused on improving *financial performance*

## Strategic Objectives

Outcomes focused on improving *competitive strength* and *market standing*



## Examples: Strategic Objectives

- Winning an 20% market share within 5 years
- Achieving lower overall costs than rivals
- Overtaking key competitors on product performance or quality or customer service within 2 years
- Deriving 60% of revenues from sale of new products introduced in past 5 years
- Being the recognized industry leader in product innovation and/or technological know-how

# Strategic Performance & Financial Performance

- Achieving *good financial performance is not enough*
  - Current financial results are “*lagging indicators*” reflecting results of *past* decisions and actions — *good profitability now does not translate into stronger capability for delivering even better financial results later*
- However, setting well-chosen strategic objectives and achieving them signals
  - *Growing competitiveness*
  - *Growing strength in the marketplace*
- *A company that is growing competitively stronger is developing the capability for better financial performance in the years ahead*
  - Good strategic performance is a “*leading indicator*” of a company’s capability to deliver improved *future* financial performance



# Short and Long-Term Objectives

- ***Short-term objectives***

- Targets to be achieved soon
- Milestones or steps for reaching long-range performance targets

- ***Long-term objectives***

- Targets to be achieved within 3 to 5 years
- Calls for actions now that will permit reaching targeted long-range performance later

## Concept of Strategic Intent

A company exhibits *strategic intent* when it *relentlessly pursues* an *ambitious strategic objective*, concentrating the full force of its resources and competitive actions on achieving that objective!



## Characteristics of Strategic Intent

- Indicates firm's *intent* to making *quantum gains* in competing against key rivals and to establishing itself as a winner in the marketplace, often against long odds
- Involves establishing a *grandiose performance target* out of proportion to immediate capabilities and market position but then devoting the firm's full resources and energies to achieving the target over time
- Entails *sustained, aggressive actions* to *take market share away from rivals* and *achieve* a *much stronger market position*

# Objectives Are Needed at All Levels

The *objective-setting* process is more *top-down* than *bottom up*

1. First, set *organization-wide* objectives and performance targets
2. Next, set *business and product line* objectives
3. Then, establish *functional and departmental* objectives
4. *Individual* objectives are established last



## Phase 3

### Formulating & Crafting a Strategy

- **Strategy-making** involves **astute entrepreneurship**
  - Actively searching for opportunities to do new things
  - or**
  - Actively searching for opportunities to do existing things in new or better ways
- **Strategizing** involves
  - Developing timely responses to happenings in the external environment
  - and**
  - Steering company activities in new directions dictated by shifting market conditions

# Crafting a Good Strategy

**Good strategy** requires good **business entrepreneurship**:

- Developing a winning strategy involves
  - Diagnosing the direction and force of the market changes underway and making timely strategic adjustments
  - Spotting new or better ways to satisfy customer needs
  - Figuring out how to outwit and outmaneuver competitors
  - Pursuing ways to strengthen the firm's competitive capabilities
  - Proactively trying to out-innovate rivals



# Astute Entrepreneurship

Masterful strategies come partly (maybe mostly) by doing things differently from competitors where it counts

- Innovating more creatively
- Being more efficient
- Being more imaginative
- Adapting faster

Rather than running with the herd!

*Good strategy-making is inseparable  
from good entrepreneurship  
—one cannot exist without the other!*

# Five Strategic Management Tasks – Parties Involved

- **CEO**
- **Senior Corporate Executives**
- **Managers of Subsidiaries & Business Units**
- **Functional & Operation Managers**

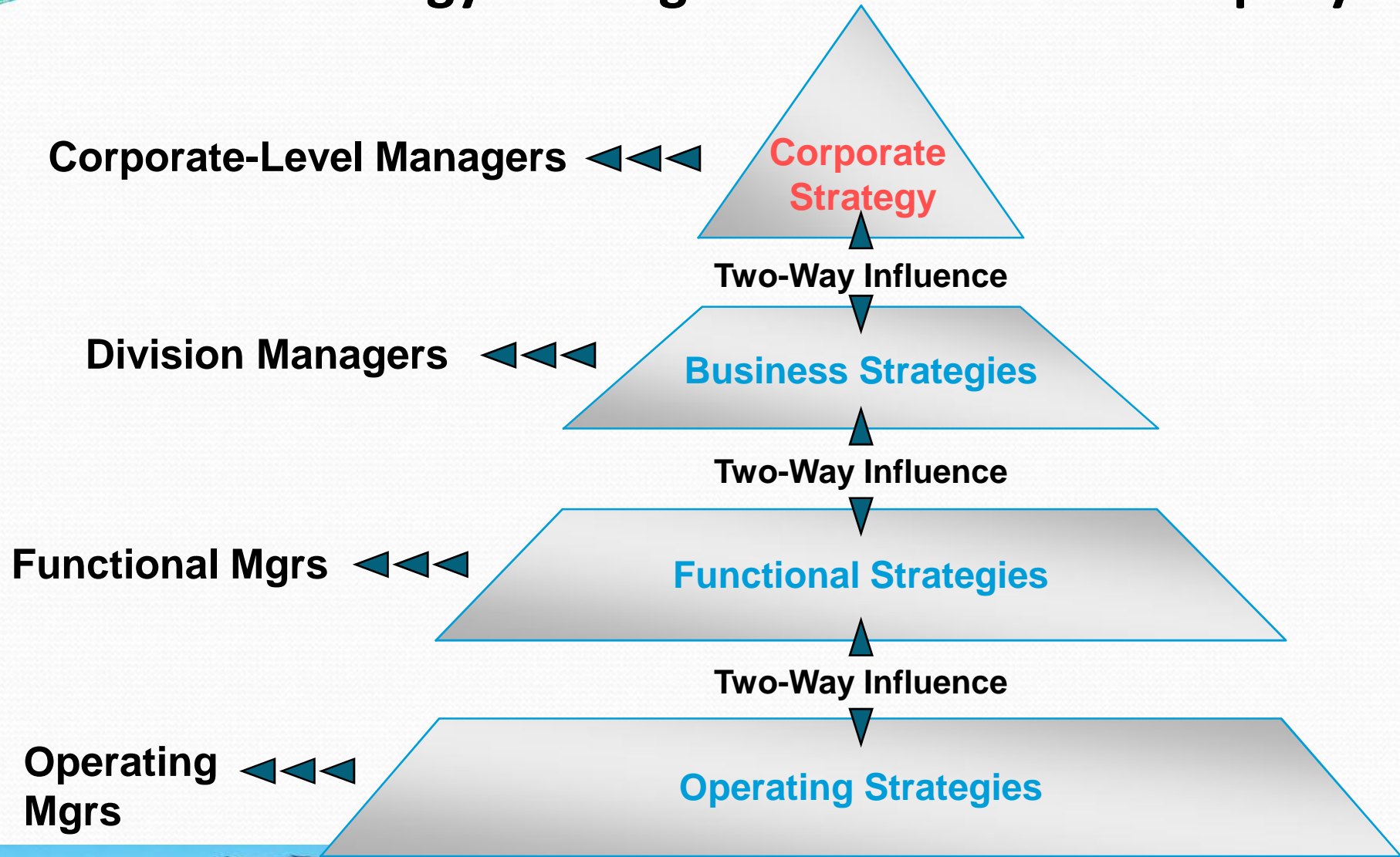




# Crafting Strategies - Parties Involved

1. **CEO (chief executive officer)**
  - ❖ Has ultimate responsibility for leading the strategy-making process
  - ❖ Functions as strategic visionary and chief architect of strategy
2. **Senior executives**
  - ❖ Typically have influential roles in fashioning those strategy components involving their areas of responsibility
3. **Managers of subsidiaries, divisions, geographic regions, plants, and other important operating units** (and, often, key employees with specialized expertise)
  - ❖ Some pieces of the strategy are best orchestrated by on-the-scene company personnel with detailed familiarity of the piece of the business they are in charge of running

# Levels of Strategy-Making in a Diversified Company

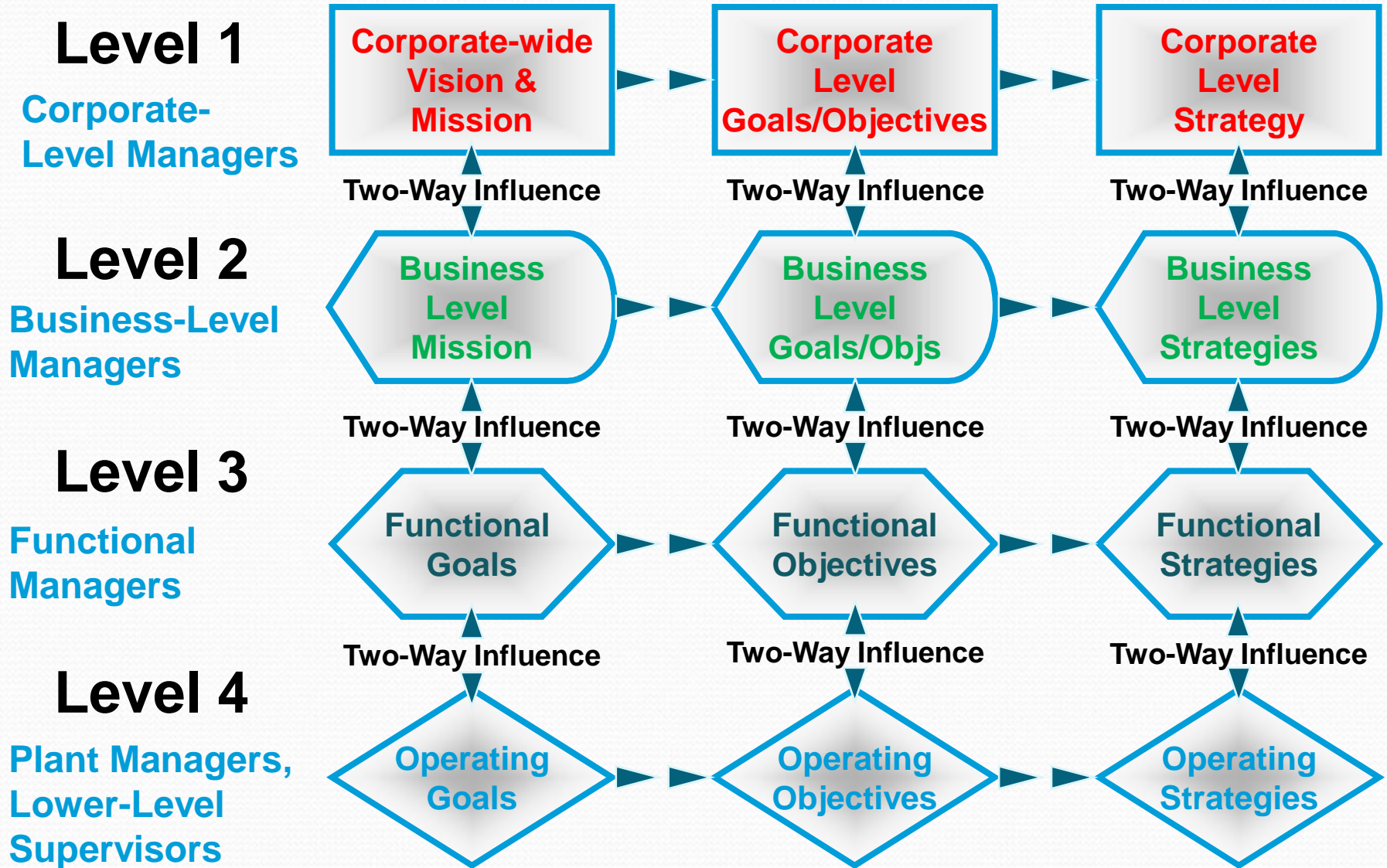




# Levels of Strategy-Making in a Single-Business Company

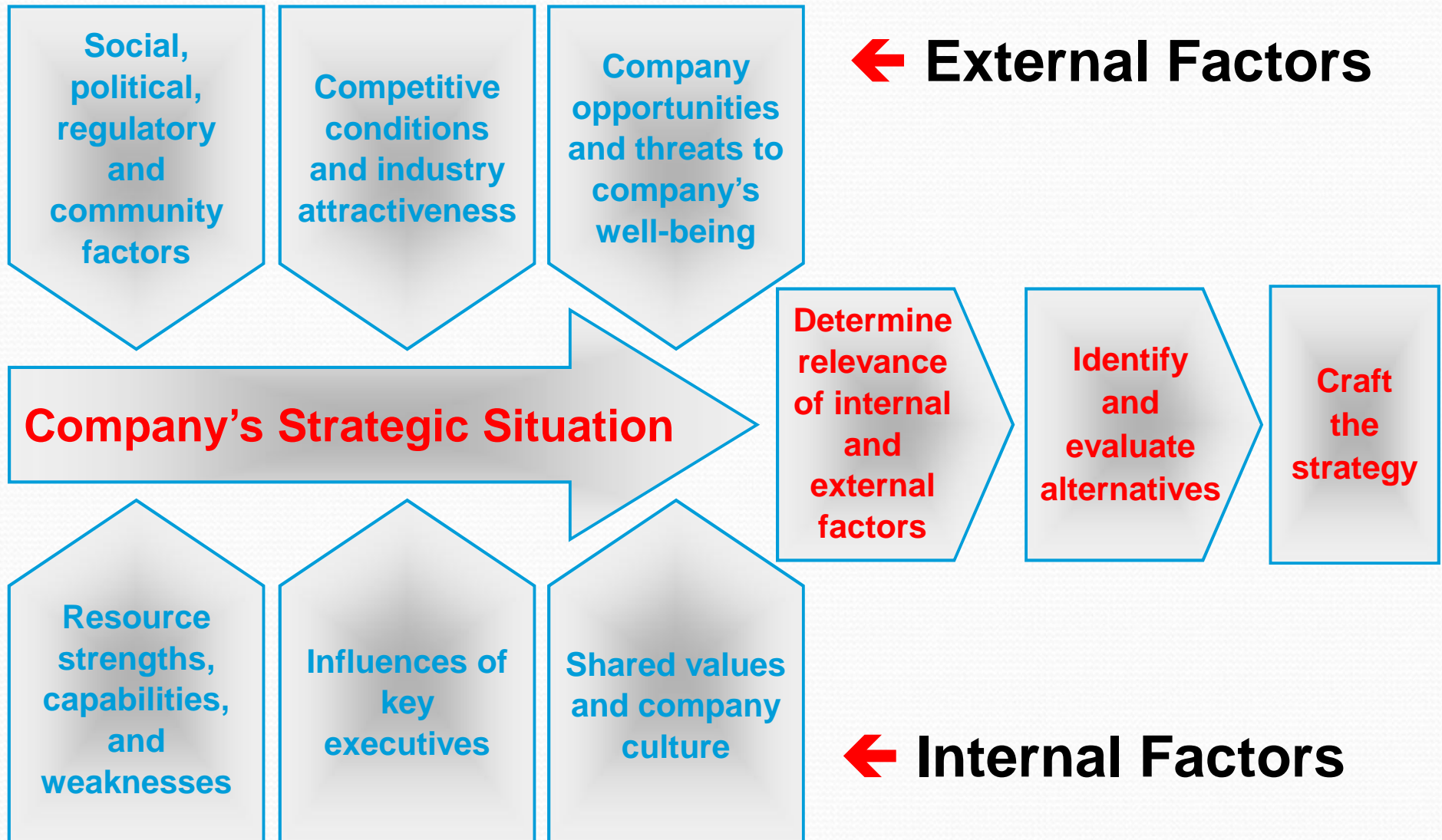


# Networking in Crafting Process





# Factors Shaping the Choice of Company Strategy



## Strategy Making - a Collaborative Process?

- The job is often way too big for one person or a small executive group—many strategic issues are complex or cut across multiple areas of expertise
- The more a company's operations cut across different products, industries and geographic areas, the more that headquarters executives must delegate strategy-making authority to down-the-line managers in charge of particular functions and operating units



# Uniting the Company's Strategy-Making Effort

- A firm's strategy is a ***collection of initiatives*** undertaken by managers at all levels in the organizational hierarchy
- Pieces of ***strategy*** should ***fit*** together like the pieces of a ***puzzle***
- Key approaches used to unify all strategic initiatives into a ***cohesive***, company-wide ***action plan***
  - ***Effectively communicate*** company's vision, objectives, and major strategies to all personnel
  - ***Diligently review lower-level strategies*** for consistency and support of higher-level strategies—***revise as needed***

# A Strategic Plan

A  
Company's  
Strategic Plan  
Consists of

Its *strategic vision*  
and *business mission*

Its *strategic* and  
*financial objectives*

Its *strategy*



## Phase 4

### Implementation and Execution

- ***Operations-oriented*** activity aimed at performing core business activities in a strategy-supportive manner
- ***Tougher*** and ***more time-consuming*** than ***crafting strategy***
- ***Key tasks*** include
  - Improving the efficiency with which the strategy is being executed
  - Showing measurable progress in achieving both operating excellence and targeted results

# What Does Implementing and Executing the Strategy Involve?

- Building a *capable organization*
- *Allocating resources* to strategy-critical activities
- Establishing *strategy-supportive policies*
- Instituting *best practices* and programs for *continuous improvement*
- Installing *information, communication, and operating systems*
- *Motivating* people to pursue the target objectives
- *Tying rewards* to achievement of *results*
- Creating a *strategy-supportive corporate culture*
- Exerting the *leadership* necessary to drive the process forward and keep improving



## Phase 5

### Evaluation and Corrective Adjustments

- Crafting and implementing a strategy is **not** a **one-time exercise**
  - Customer needs and competitive conditions change
  - New opportunities appear; technology advances; any number of other outside developments occur
  - One or more aspects of executing the strategy may not be going well
  - New managers with different ideas take over
  - Organizational learning occurs
- All these trigger a need for **corrective actions** and **adjustments** on an as-needed basis

# Monitoring, Evaluating, and Adjusting as Needed

- ***Taking actions*** to ***adjust*** to the march of events tends to result in one or more of the following
  - Altering long-term direction and/or redefining the mission/vision
  - Raising, lowering, or changing performance objectives
  - Modifying the strategy
  - Improving strategy execution



# Leading the Strategic Management Process

- Diverse *leadership challenges* include
  - Exerting take-charge leadership
  - Being a spark plug for change and action
  - Ramrodding things through
  - Achieving results
- *Leading* the strategic management process can involve *various styles and approaches*
  - Being a hard-nosed authoritarian
  - Being a perceptive listener
  - Being a compromising decision maker
  - Delegating authority to people closest to the action
  - Being a coach
  - Assuming a highly visible role in guiding the process

# Leadership Capabilities

1. Stay on top of what's happening
2. Make sure company has a good strategic plan
3. Put constructive pressure on company to achieve good results
4. Push corrective actions to improve overall strategic performance
5. Lead development of stronger core competencies and competitive capabilities
6. Display ethical integrity and lead social responsibility initiatives



## Corporate Governance: Strategic Role of Board of Directors

- Exercise ***strong oversight*** to ensure five tasks of strategic management are executed to ***benefit***
  - Shareholders ***or***
  - Stakeholders
- Make sure ***executive actions*** are not only ***proper*** but also ***aligned*** with ***interests of stakeholders***

## Obligations of Board of Directors

- Be *inquiring critics* and *overseers*
- *Evaluate caliber* of *senior executives'* strategy-making and strategy-executing *skills*
- *Institute* a *compensation plan* for top executives rewarding them for results that serve interests of
  - Stakeholders *and*
  - Shareholders
- *Oversee* a company's *financial accounting* and *reporting practices*

Board members have a very *important oversight role* in the strategy-making, strategy-executing process!



# ***Ends of Discussion***