Strategic Planning

CHAPTER 9

Learning Objectives

9.1 **Define** strategic management and explain why it's important.

9.2 **Explain** what managers do during the six steps of the strategic management process.

Know how to identify your own personal strengths and weaknesses and deal with them.

Develop your skill at strategic planning.

9.3 **Describe** the three types of corporate strategies.

9.4 **Describe** competitive advantage and the competitive strategies organizations use to get it.

9.5 **Discuss** current strategic management issues.

What is Strategic Management?

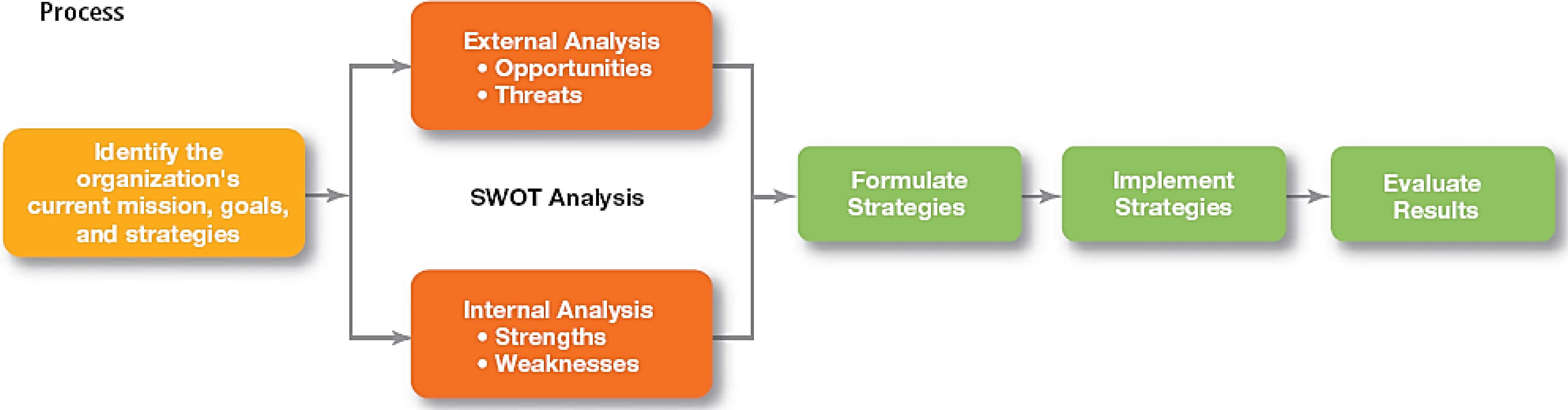
- **Strategic management**: what managers do to develop the organization's strategies.
- **Strategies**: the plans for how the organization will do what it's in business to do, how it will compete successfully, and how it will attract and satisfy its customers in order to achieve its goals
- **Business model**: how a company is going to make money

Why is Strategic Management Important?

- Has a positive impact on performance
- Helps managers decide how to act in face of change and uncertainty
- Helps complex and diverse organizations work together

EXHIBIT 9-1

Strategic Management Process



Step 1: Identifying the Organization's Current Mission, Goals, and Strategies

- Every organization needs a **mission**—a statement of its purpose. Defining the mission forces managers to identify what it's in business to do.
- The mission of North South University is to produce competent graduates in their selected disciplines who will have productive careers or choose to engage in advanced studies.
- The mission of Facebook is "a social utility that connects you with the people around you."
- The mission of the National Heart Foundation of Australia is to "reduce suffering and death from heart, stroke, and blood vessel disease in Australia."
- **<u>These statements provide clues to what these organizations see as their purpose.</u>**

EXHIBIT 9-2

Components of a Mission Statement

Customers: Who are the firm's customers?

Markets: Where does the firm compete geographically?

Concern for survival, growth, and profitability: Is the firm committed to growth and financial stability?

Philosophy: What are the firm's basic beliefs, values, and ethical priorities?

Concern for public image: How responsive is the firm to societal and environmental concerns?

Products or services: What are the firm's major products or services?

Technology: Is the firm technologically current?

Self-concept: What are the firm's major competitive advantage and core competencies?

Concern for employees: Are employees a valuable asset of the firm?

Source: Based on F. David, *Strategic Management,* 13th ed. (Upper Saddle River, NJ: Prentice Hall, 2011), p. 51.

Step 2: Doing an External Analysis

- In an external analysis, managers should examine the economic, demographic, political/legal, sociocultural, technological, and global components to see the trends and changes.
- Once they've analyzed the environment, managers need to pinpoint opportunities that the organization can exploit and threats that it must counteract or buffer against.
- **Opportunities** are positive trends in the external environment; **threats** are negative trends.

Step 3: Doing an Internal Analysis

- Internal analysis provides important information about an organization's specific resources and capabilities.
- An organization's **resources** are its assets—financial, physical, human, and intangible—that it uses to develop, manufacture, and deliver products to its customers.
- On the other hand, its **capabilities** are its skills and abilities in doing the work activities needed in its business—"how" it does its work. The major value-creating capabilities of the organization are known as its **core competencies**.
- Both resources and core competencies determine the organization's competitive weapons.

Step 3: Doing an Internal Analysis Cont..

- After completing an internal analysis, managers should be able to identify organizational strengths and weaknesses. Any activities the organization does well or any unique resources that it has are called **strengths**. **Weaknesses** are activities the organization doesn't do well or resources it needs but doesn't possess.

SWOT analysis

- The combined external and internal analyses are called the **SWOT analysis**, which is an analysis of the organization's *s*trengths, *w*eaknesses, *o*pportunities, and *t*hreats.
- After completing the SWOT analysis, managers are ready to formulate appropriate strategies—that is, strategies that (1) exploit an organization's strengths and external opportunities, (2) buffer or protect the organization from external threats, or(3) correct critical weaknesses.

Step 4: Formulating Strategies

- As managers formulate strategies, they should consider the realities of the external environment and their available resources and capabilities in order to design strategies that will help an organization achieve its goals.
- The three main types of strategies managers will formulate include-

1. Corporate
2. Competitive
3. Functional.

Step 5: Implementing Strategies

- Once strategies are formulated, they must be implemented. No matter how effectively an organization has planned its strategies, performance will suffer if the strategies aren't implemented properly.

What Is Corporate Strategy?

- A corporate strategy is one that determines what businesses a company is in or wants to be in, and what it wants to do with those businesses.
- It's based on the mission and goals of the organization and the roles that each business unit of the organization will play.

What Are the Types of Corporate Strategy?

- Growth strategy
- Stability strategy
- Renewal strategy

Thank You!