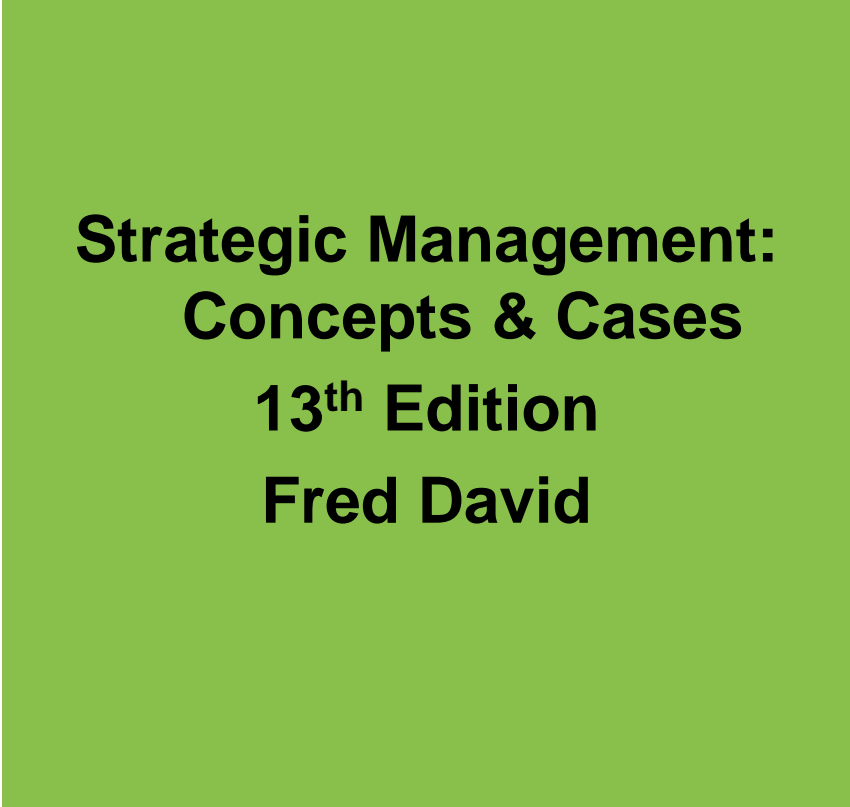

Chapter 1

The Nature of Strategic Management



**Strategic Management:
Concepts & Cases
13th Edition
Fred David**

Strategic Management – Defined

Art & science of **formulating**,
implementing, and **evaluating**,
cross-functional decisions that
enable an organization to achieve its
objectives

Strategic Management

In essence, the **strategic plan** is a company's **game plan**

3 Stages of the Strategic Management Process

- Strategy formulation
- Strategy implementation
- Strategy evaluation

Strategy Formulation

```
graph TD; A([Strategy Formulation]) --- B[Vision & Mission]; A --- C[External Opportunities & Threats]; A --- D[Internal Strengths & Weaknesses]; A --- E[Long-Term Objectives]; A --- F[Alternative Strategies]; A --- G[Strategy Selection];
```

Vision & Mission

External Opportunities & Threats

Internal Strengths & Weaknesses

Long-Term Objectives

Alternative Strategies

Strategy Selection

Strategy Implementation

```
graph TD; A([Strategy Implementation]) --- B[Annual Objectives]; A --- C[Policies]; A --- D[Employee Motivation]; A --- E[Resource Allocation];
```

Annual Objectives

Policies

Employee Motivation

Resource Allocation

Strategy Evaluation

```
graph TD; A([Strategy Evaluation]) --- B[Internal Review]; A --- C[External Review]; A --- D[Performance Measurement]; A --- E[Corrective Action];
```

Internal Review

External Review

Performance Measurement

Corrective Action

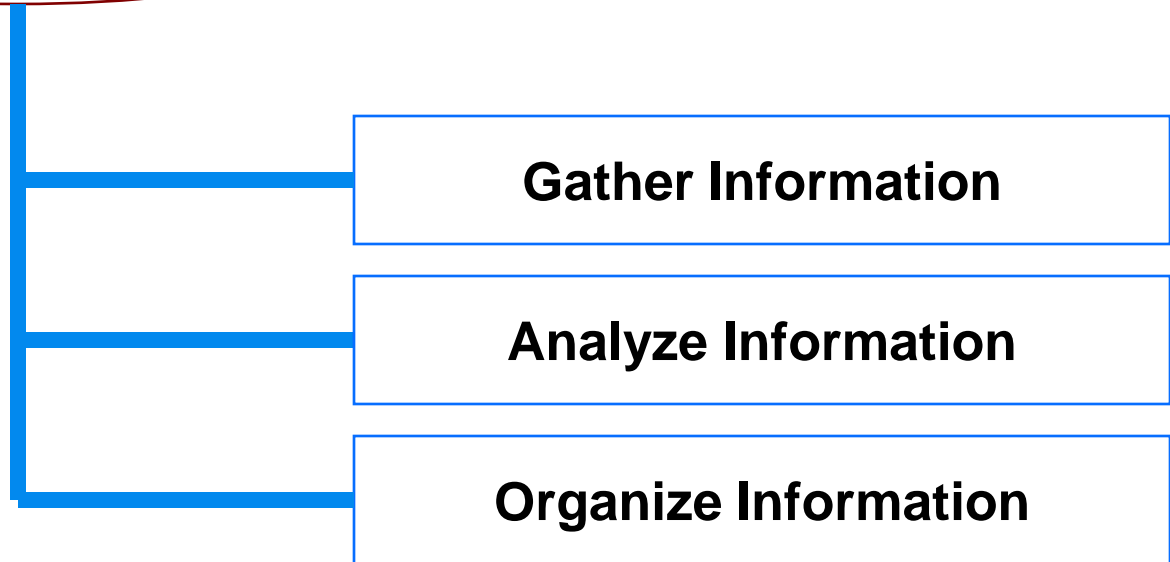
Key Terms in Strategic Management

- Competitive advantage
- Strategists
- Vision and mission statements
- External opportunities and threats
- Internal strengths and weaknesses
- Long-term objectives
- Strategies
- Annual objectives
- Policies

Strategic Management is Gaining and Maintaining Competitive Advantage

Anything that a firm does especially well compared to rival firms

Strategists



Vision and Mission Statements

**Vision Statement –
What do we want to become?**

**Mission Statement –
What is our business?**

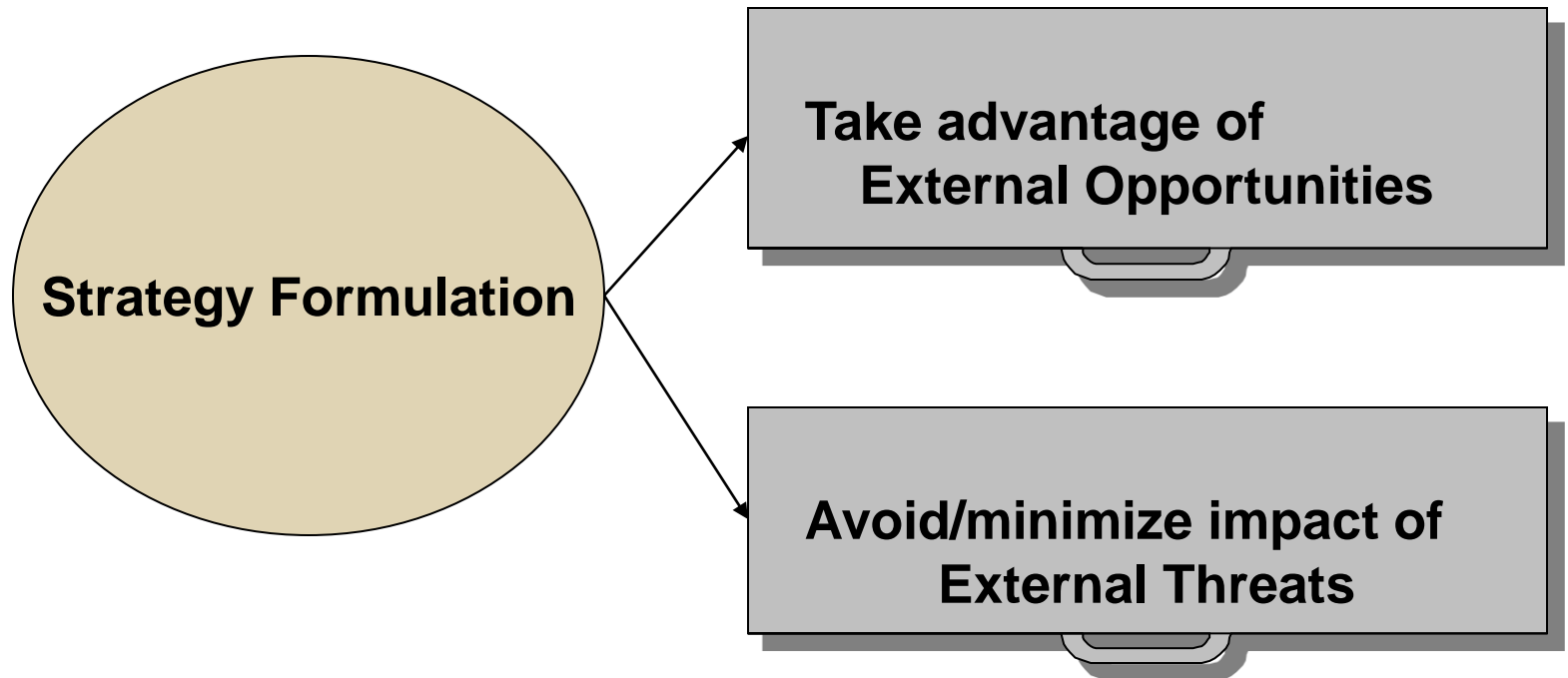
External Opportunities and Threats

Analysis of Trends

- ❑ Economic
- ❑ Social
- ❑ Cultural
- ❑ Demographic/Environmental
- ❑ Political, Legal, Governmental
- ❑ Technological
- ❑ Competitors

External Opportunities and Threats

Basic Tenet of Strategic Management



Internal Strengths and Weaknesses

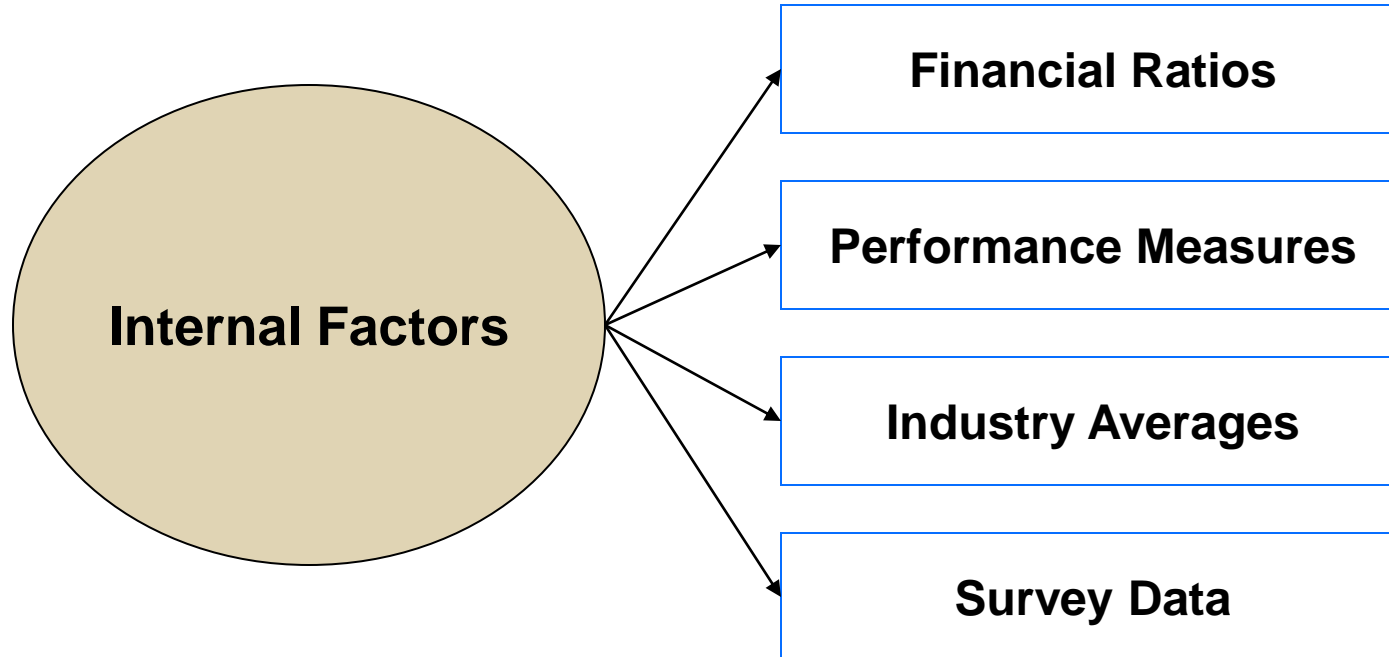
- ❑ Controllable activities performed especially well or poorly
- ❑ Determined relative to competitors

Internal Strengths and Weaknesses

- Typically located in functional areas of the firm
 - Management
 - Marketing
 - Finance/Accounting
 - Production/Operations
 - Research & Development
 - Management Information Systems

Internal Strengths and Weaknesses

Assessing the Internal Environment



Long-Term Objectives

- ❑ Specific results that an organization seeks to achieve in pursuing its basic mission
- ❑ Long-term means more than one year

Long-Term Objectives

- **Essential for ensuring the firm's success**
 - **Provide direction**
 - **Aid in evaluation**
 - **Create synergy**
 - **Reveal priorities**
 - **Focus coordination**
 - **Provide basis for planning, organizing, motivating, and controlling**

Strategies

Means by which long-term objectives are achieved

Strategies

- Examples
 - Geographic expansion
 - Diversification
 - Acquisition
 - Product development
 - Market penetration
 - Retrenchment
 - Divestiture
 - Liquidation
 - Joint venture

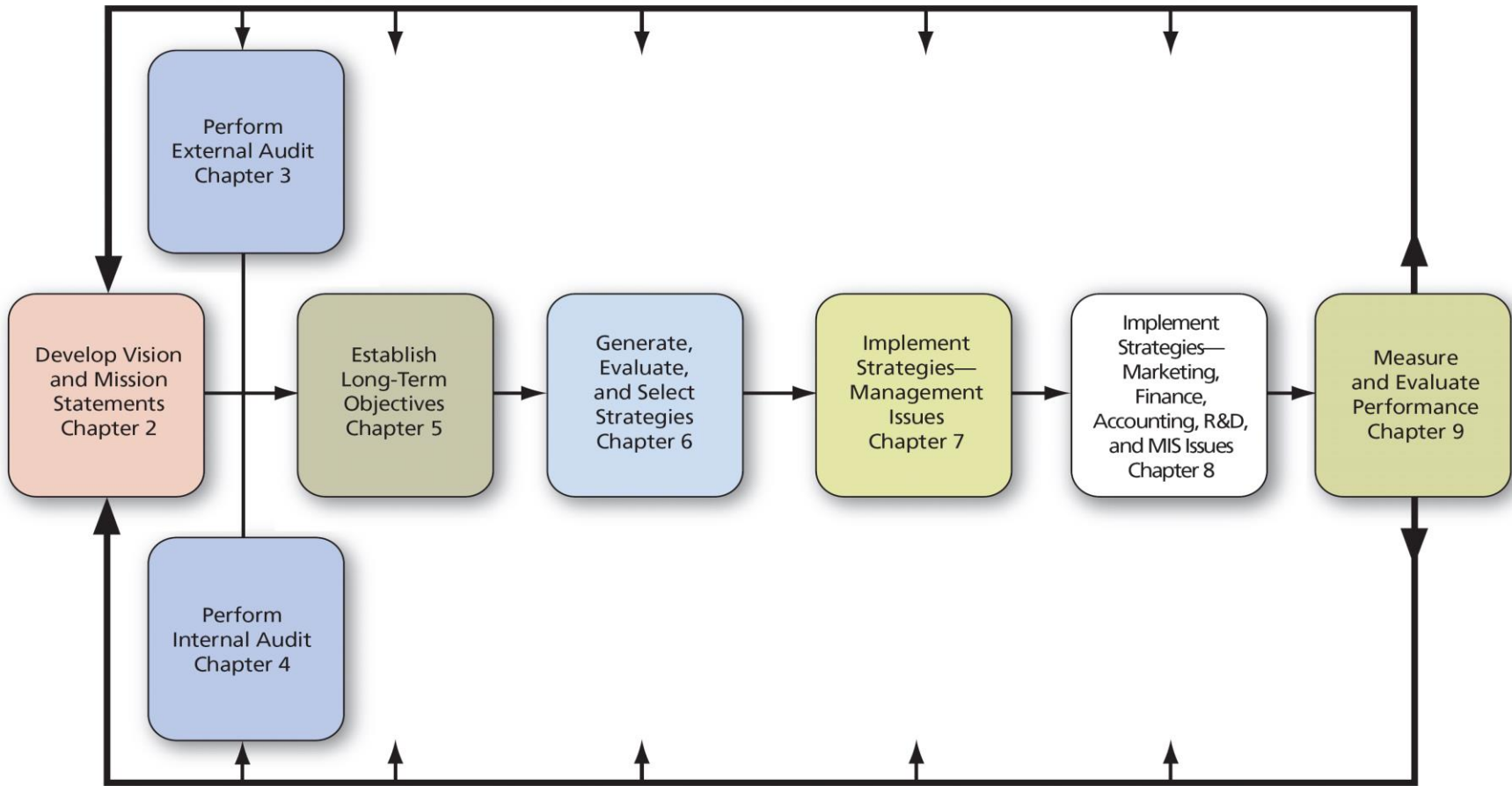
Annual Objectives

Short-term milestones that firms must achieve to reach long-term objectives

Policies

Means by which annual objectives will be achieved

Chapter 10: Business Ethics/Social Responsibility/Environmental Sustainability Issues



Chapter 11: Global/International Issues

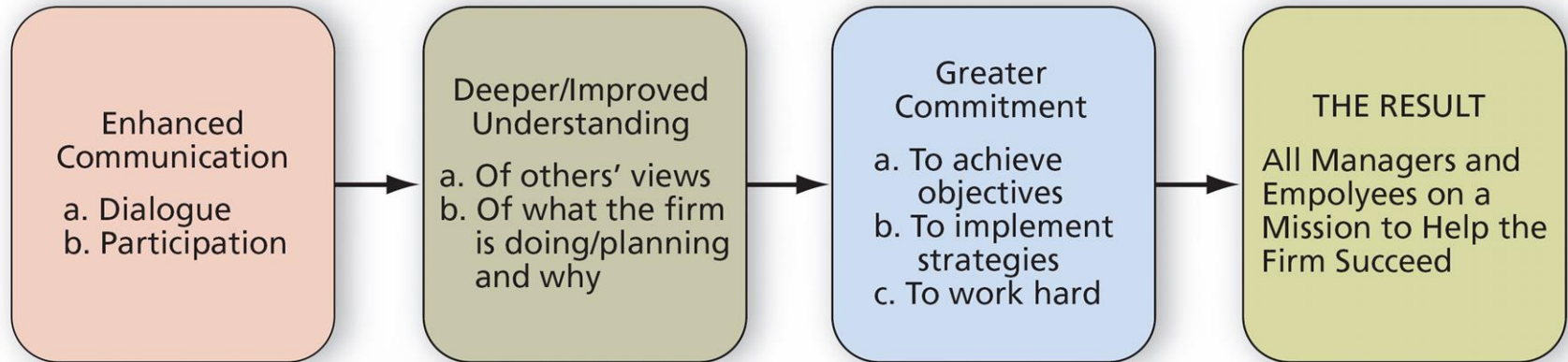
Strategic Management Model

- ❑ Strategic Management Process
 - ❑ Dynamic & continuous
 - ❑ More formal in larger organizations

Strategic Management

- Communication is a key to successful strategic management

Benefits of Strategic Management



Benefits of Strategic Management

- Nonfinancial Benefits
 - Enhanced awareness of threats
 - Improved understanding of competitors' strategies
 - Increased employee productivity
 - Reduced resistance to change
 - Clearer understanding of performance-reward relationship
 - Enhanced problem-prevention capabilities

Why Some Firms Do No Strategic Planning

- Lack of knowledge of strategic planning
- Poor reward structures
- Fire fighting
- Waste of time
- Too expensive
- Laziness
- Content with success

Why Some Firms Do No Strategic Planning (continued)

- Fear of failure
- Overconfidence
- Prior bad experience
- Self-interest
- Fear of the unknown
- Honest difference of opinion
- Suspicion