

Introduction to Strategic Management

Chapter 1

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- ❖ Define the strategic management concept and some key terminologies in strategic management.
- ❖ Discuss the history of the developments in strategic planning in Western industrialized countries.
- ❖ Explain the strategic planning practices of different countries.
- ❖ Describe the strategic management process.

Discussion

- ❖ Changes is inevitable.
- ❖ Changes occurs in terms of technology, speed, efficiency of utilizing the resources.

KEY TERMINOLOGIES

❖ Some of the key terminologies of strategic management are:

1. Strategic management
2. Strategy
3. Planning
4. Corporate planning
5. Corporate strategy

KEY TERMINOLOGIES

- ❖ Strategic Management means
 - drafting,
 - implementing and
 - evaluating cross functional decisions
- ❖ that will enable an organization to achieve its long term objectives.

KEY TERMINOLOGIES

1. Strategic Management

- ❖ The strategic management process is made up of **three main steps**:
 - ❖ strategy formulation,
 - ❖ strategy implementation and
 - ❖ strategy evaluation.
- ❖ It also emphasizes the analysis of the **external** and **internal environment** of a company in order to achieve the company's objectives.

KEY TERMINOLOGIES (cont.)

2. Strategy

- ❖ Strategy refers to the actions taken by a manager to ensure that the organization is **better off** than its competitors or is able to fend off competitive actions from competitors.
- ❖ Organizations always try to use their own strength in exploiting the competitors' weaknesses. – Gaining competitive advantage.

KEY TERMINOLOGIES (cont.)

Business Strategy

- ❖ Business-strategy organizations always try to use their own strengths in exploiting the competitors' weaknesses.
- ❖ the main purpose is to gain competitive advantage.
- ❖ Actions taken by a manager to ensure that the organization is better off than its competitors or is able to fend off competitive actions from competitors.
- ❖ A well prepared strategy can help ensures proper distribution of resources to tackle specific situation.

KEY TERMINOLOGIES (cont.)

3. Planning

- ❖ Planning is a process of preparing ways to use resources more economically and efficiently so that the purpose of the company is achieved.
- ❖ With limited resources in the midst of demands from various sectors such as investments, projects, researches, marketing, etc, as well as uncertainties in the future, planning can aid a company by allocating resources efficiently.

KEY TERMINOLOGIES (cont.)

3. Corporate Planning

- ❖ Corporate planning can be defined as a process of obtaining objectives and its components followed by a process of finding and evaluating various available alternatives.

KEY TERMINOLOGIES (cont.)

5. Corporate Strategy

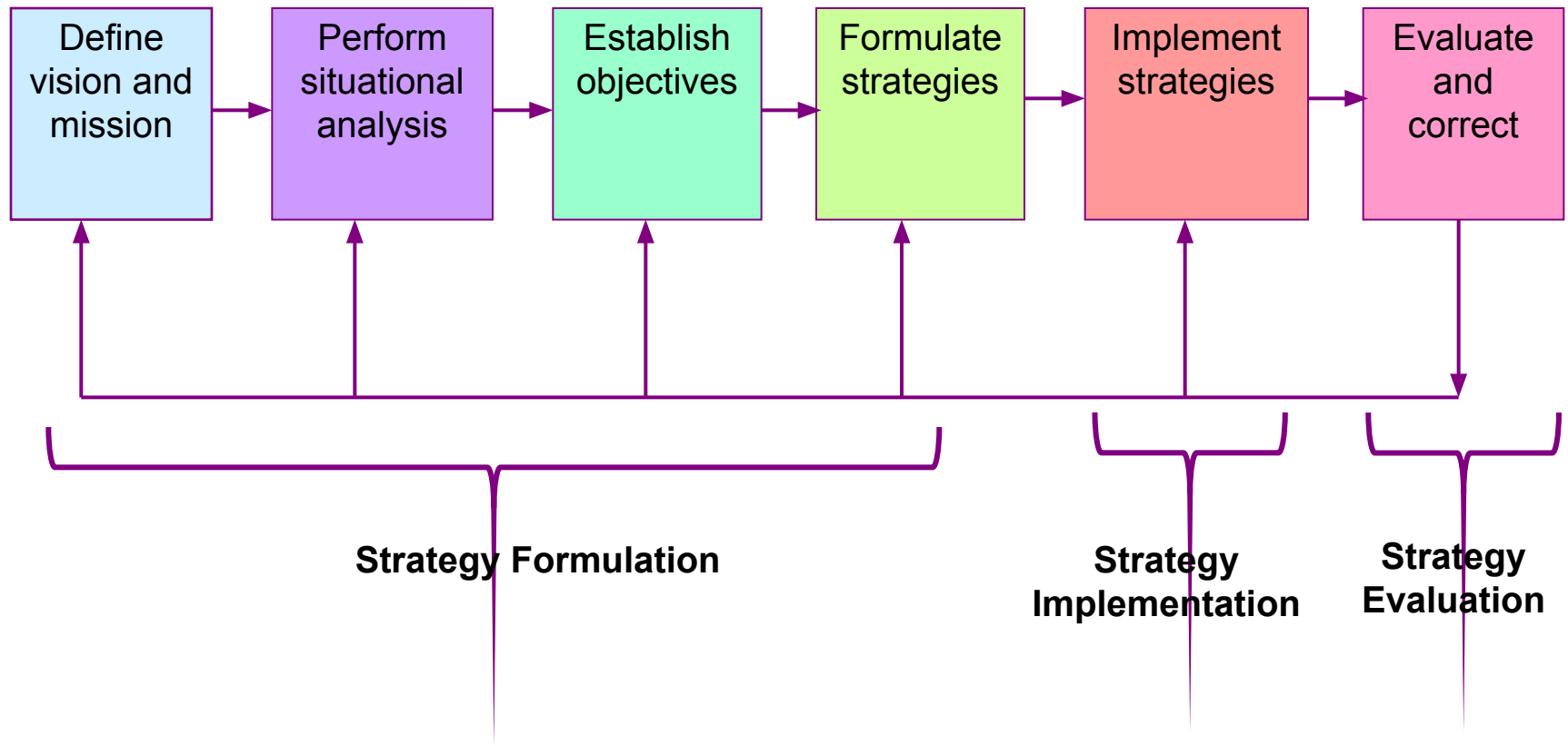
- ❖ Corporate strategy is a plan to direct all the components of a business in a certain direction.
- ❖ Corporate strategy is considered as a guideline, setting the scope where the company should be involved in and can be aligned in such a way to ensure that the business objectives are met.

THE STRATEGIC MANAGEMENT PROCESS

The process consists of three main **stages**:

- ❖ Strategy Formulation
- ❖ Strategy Implementation
- ❖ Strategy Evaluation

THE STRATEGIC MANAGEMENT PROCESS (cont.)



THE STRATEGIC MANAGEMENT PROCESS (cont.)

Strategy Formulation

- ❖ It involves designing and developing strategies to achieve the firm's mission and vision.
- ❖ Strategy formulation entails identifying the firm's external opportunities and threats, determining the firm's internal strengths and weaknesses and establishing objectives to achieve the firm's mission and vision.

THE STRATEGIC MANAGEMENT PROCESS (cont.)

Strategy formulation

- ❖ Identifying the company's mission and vision in the starting point for strategic management process.
- ❖ The **mission** and **vision** statements set the direction for where the company is going.
- ❖ In order to achieve the organization's mission, would need to operationalize the mission statement into strategic objectives.
- ❖ **Objectives** – are concrete goals the organization aims to achieve in pursuing its basic mission.

THE STRATEGIC MANAGEMENT PROCESS (cont.)

Strategy formulation

- ❖ Before organization establish its objectives, it must perform **situation analysis**.
- ❖ Situation Analysis
 - Scanning and evaluating the organization's internal and external environment – this provides the critical information to establish the organization's objectives.
 - Also use to identify the organization's opportunities and threats.

THE STRATEGIC MANAGEMENT PROCESS (cont.)

Strategy formulation

- ❖ An organization can develop alternative strategies once the organization had a clear picture of its environment.
- ❖ Strategy formulation involves designing and developing the company strategies.

THE STRATEGIC MANAGEMENT PROCESS (cont.)

Strategy Implementation

- ❖ Strategy implementation means executing the strategies or when business strategies are translated into action.
- ❖ It includes allocating resources to execute the formulated strategies, preparing budgets, and developing and utilizing information systems and employees.

THE STRATEGIC MANAGEMENT PROCESS (cont.)

Strategy Evaluation

- ❖ The final stage in the strategic management process
- ❖ The firm's managers seek to determine which strategies worked and which were not successful.
- ❖ Involves:
 - Reviewing external and internal factors that form the basis of the current strategies
 - Measuring performance against objectives
 - Taking corrective action – if the strategies formulated did not result in the objectives being met or not in line with the actual goals, □ the strategy should be modified or reformulated.

THE STRATEGIC MANAGEMENT PROCESS (cont.)

- ❖ Changes in the environment or a change in any of the steps in the strategies management process could mean a change in any or all of the components.
- ❖ For example,
 - an introduction of a new product by a major competitor may result in a change in the organization's existing product line and this may affect the organization's mission and vision.

References

- ❖ Zainal Abidin Mohamed, Jo Ann Ho, Foong Yee Wong (2010) “*Strategic Management*” ,Oxford University Press, ISBN 9834509588, 9789834509583