Module 7

Strategy and Strategic Management

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

**Diagram**

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

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

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

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.
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.

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

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

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?
    - High-quality workforce
    - Strong technology
    - Strong brand name
    - Strong distribution
    - Strong financial
    - Strong brand reputation
    - Strong existing market

- External Assessment of the Environment:
  - What are our threats?
    - New competitors
    - High capital required
    - High capital needed
    - New players
    - Substitutes produced

- SWOT Analysis
STRATEGIC MANAGEMENT

SWOT Analysis

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

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

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

- Cost leadership strategy
  - Blue Ocean
  - Red Ocean
- Differentiation strategy
  - Coke, Pepsi

- Focused low-cost strategy
  - Red Cherry Pop
- Focused differentiation strategy
  - A & W Root Beer, Tropicana

Source of Competitive Advantage
- Low Price
- Unique Product

STRATEGIC MANAGEMENT
Portfolio Planning

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

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