

Strategic Management

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MGM414

Lecture 2



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Chapter

01

Strategic Management





Strategic Management

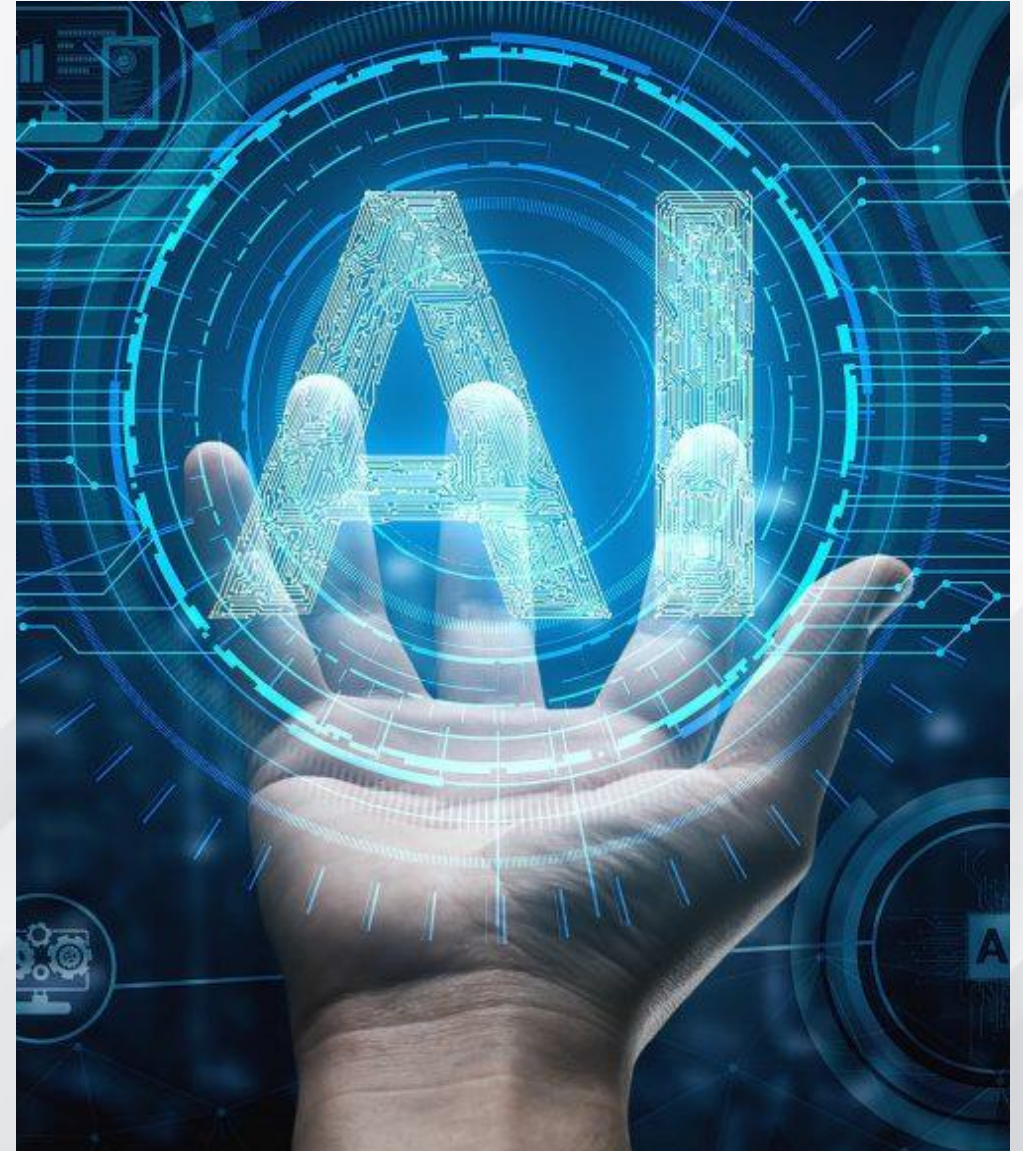
Strategic management is the process of developing and implementing plans that enable an organization to achieve its goals and objectives. It typically involves formulating strategies, designing organizational structures, allocating resources, leading change initiatives, and overseeing processes and resource utilization to ensure alignment with strategic priorities.



Content

Part One / Analysis

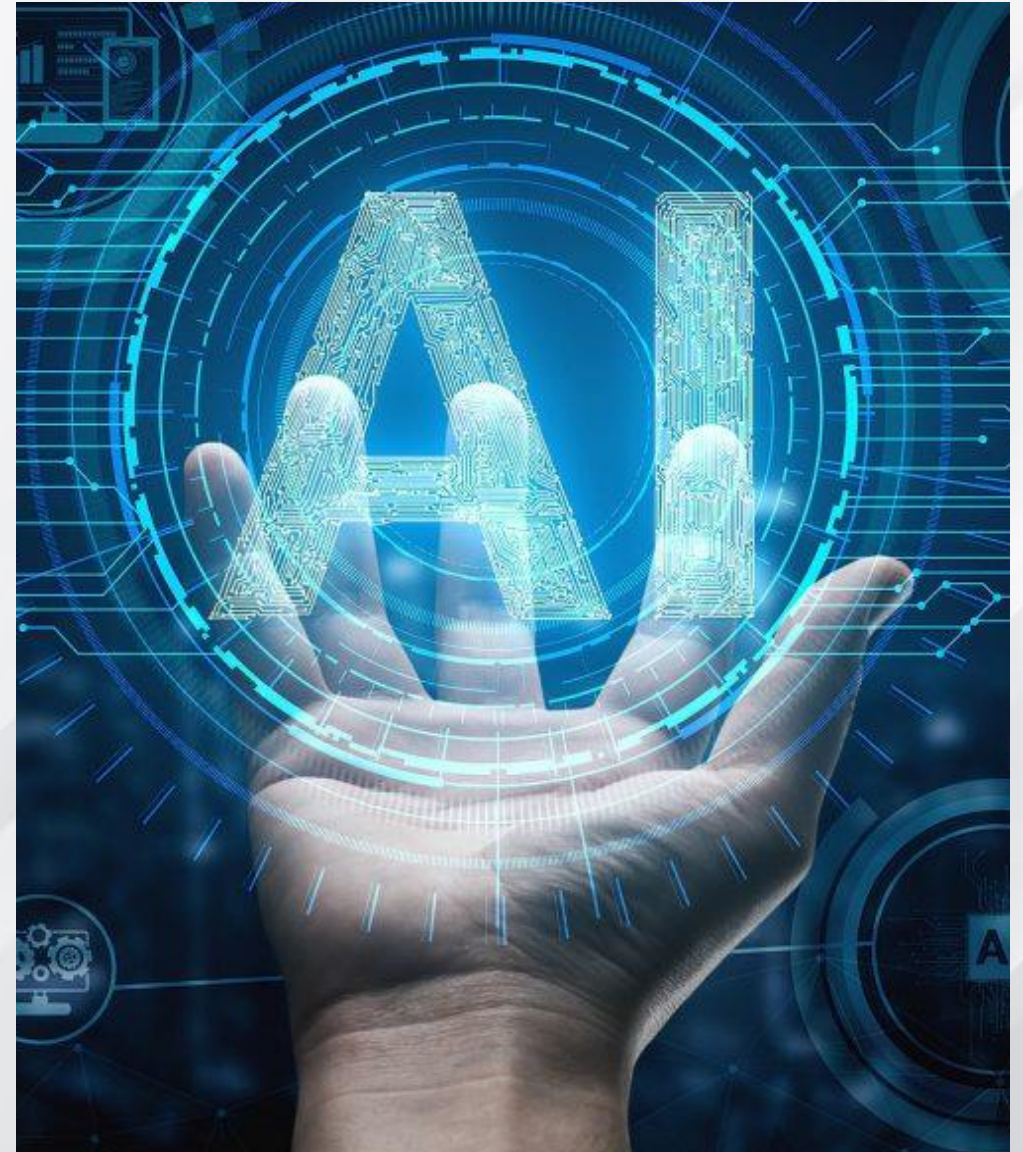
- **Chapter 1** What Is Strategy?
- **Chapter 2** Strategic Leadership: Managing the Strategy Process
- **Chapter 3** External Analysis: Industry Structure, Competitive Forces, and Strategic Groups
- **Chapter 4** Internal Analysis: Resources, Capabilities, and Core Competencies
- **Chapter 5** Competitive Advantage, Firm Performance, and Business Models



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Part Two/ Formulation

- **Chapter 6** Business Strategy: Differentiation, Cost Leadership, and Blue Oceans
- **Chapter 7** Business Strategy: Innovation, Entrepreneurship, and Platforms
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- **Chapter 9** Global Strategy: Competing Around the World
- **Part Three/ Implementation**
- **Chapter 10** Organizational Design: Structure, Culture, and Control



Agenda Strategic Leadership: Managing the Strategy Process

➤ 2.1 Strategic Leadership

- What Do Strategic Leaders Do?
- How Do You Become a Strategic Leader?
- The Strategy Process across Levels: Corporate, Business, and Functional Managers

➤ 2.2 The Strategic Management Process

- Top-Down Strategic Planning
- Scenario Planning
- Strategy as Planned Emergence: Top-Down and Bottom-Up

➤ 2.3 Stakeholders and Competitive Advantage

- Stakeholder Strategy
- Stakeholder Impact Analysis

➤ 2.4 Implications for Strategic Leaders

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Strategic Leadership

Strategic leadership pertains to executives' use of power and influence to direct the activities of others when pursuing an organization's goals.





Strategic Leadership

Power is defined as the strategic leader's ability to influence the behaviour of other organizational members to do things, including things they would not do otherwise.



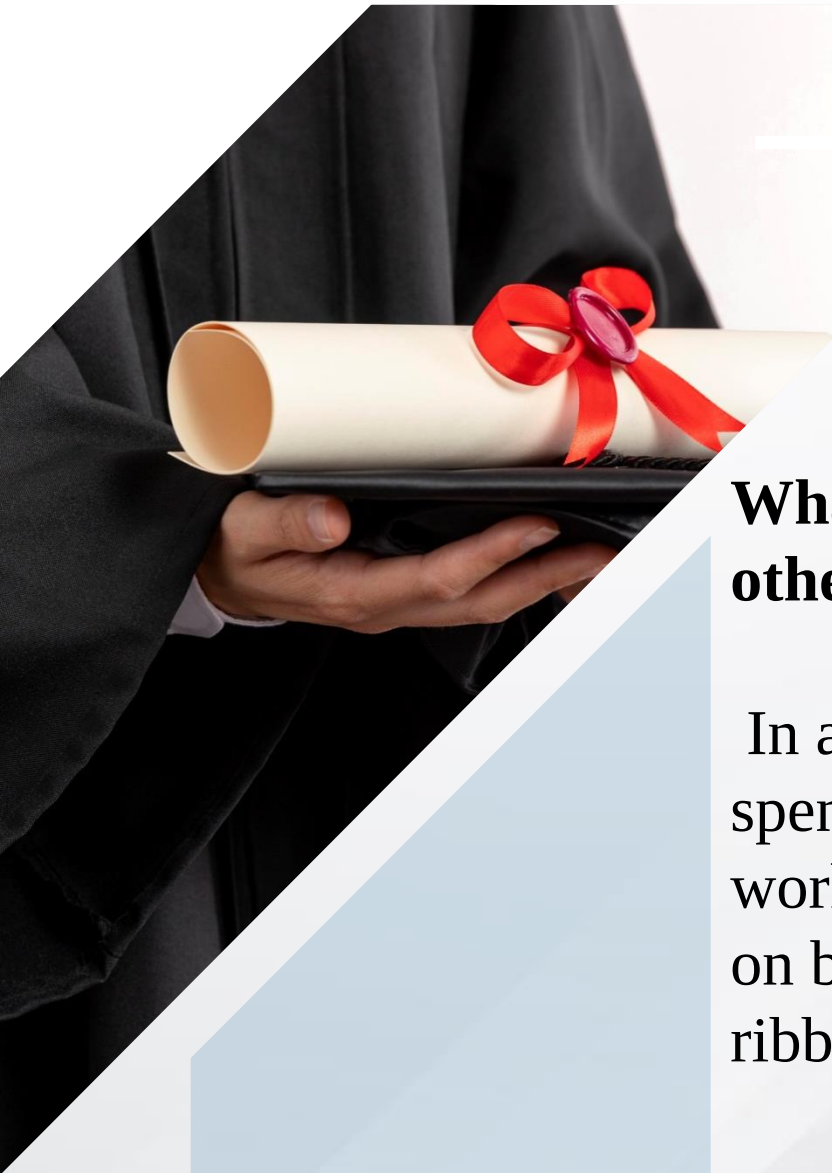


What do strategic leaders do?

Explain the role of strategic leaders and what they do?

- Executives whose vision and decisions enable their organizations to achieve competitive advantage demonstrate strategic leadership.
- Strategic leaders use formal and informal power to influence the behavior of other organizational members to do things, including things they would not do otherwise.





What do strategic leaders do?

What do strategic leaders do that makes some more effective than others?

In a study of more than 350 CEOs, strategy scholars found that they spend, on average, 67 percent of their time in meetings, 13 percent working alone, 7 percent on e-mail, 6 percent on phone calls, 5 percent on business meals, and 2 percent on public events such as ribboncutting for a new factory.





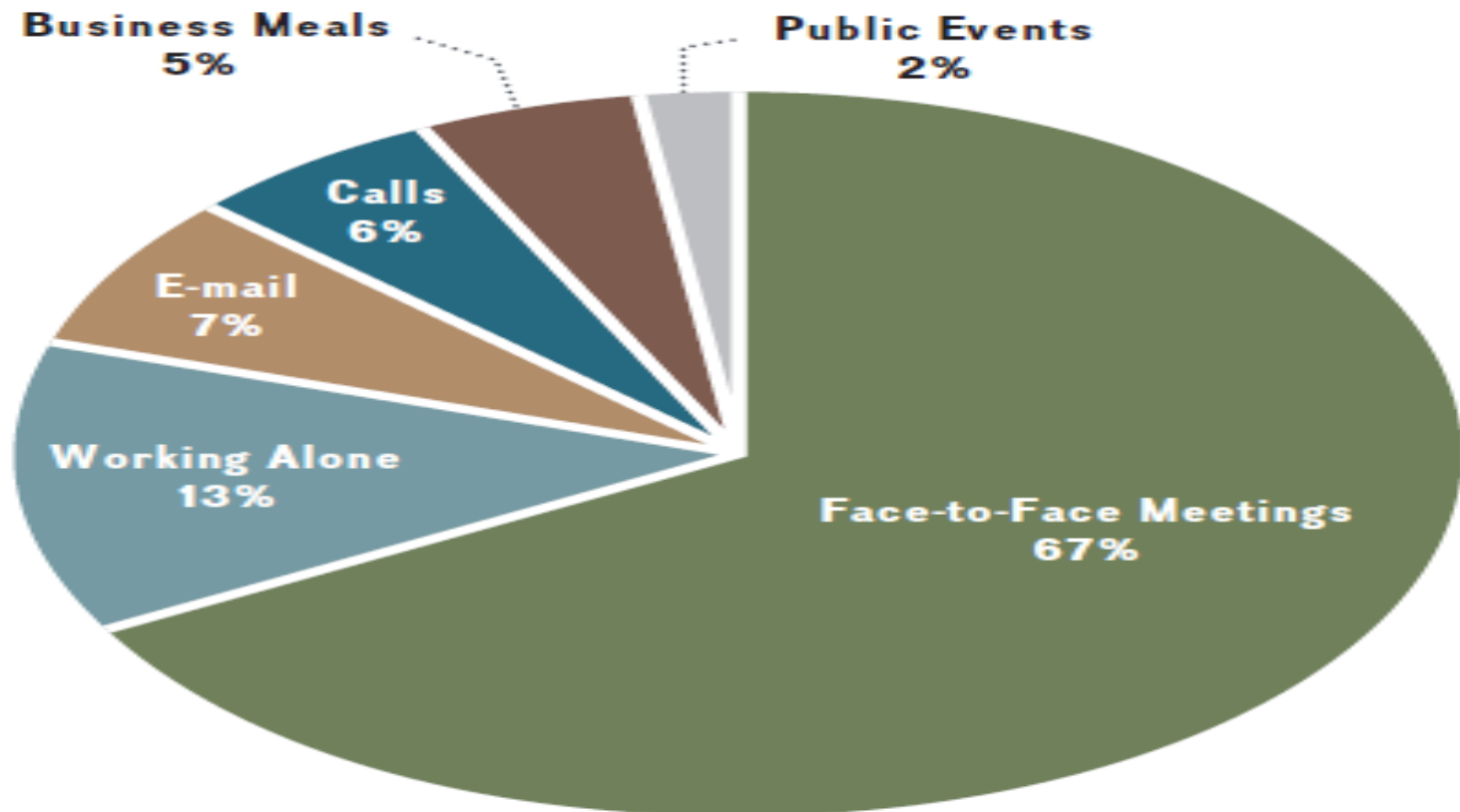
What do strategic leaders do?

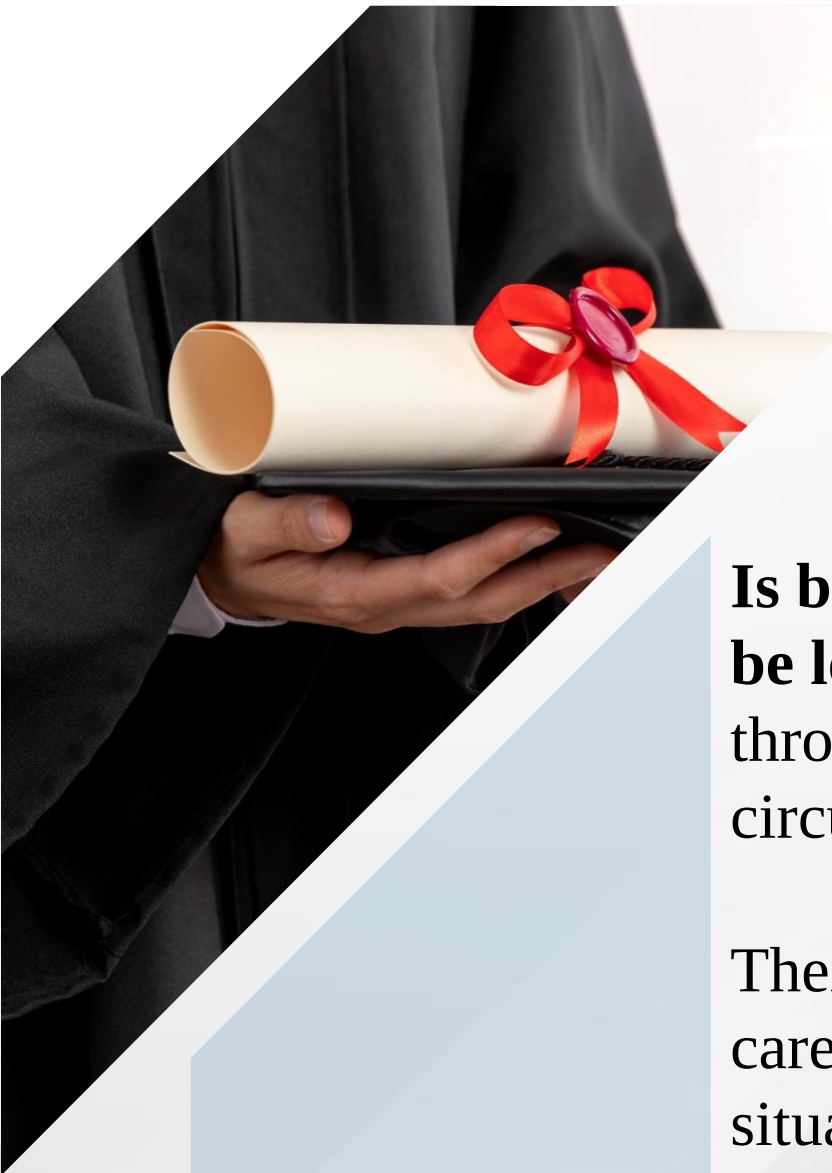
What do strategic leaders do that makes some more effective than others?

Other studies have also found that most managers prefer oral communication: CEOs spend most of their time “interacting—talking, soothing, selling, listening, and nodding—with a wide array of parties inside and outside the organization.”



What do strategic leaders do?





How to become a strategic leader?

Is becoming an ethical and effective strategic leader innate? Can it be learned? The theory states that strategic leaders interpret situations through the lens of their unique perspectives, shaped by personal circumstances, values, and experiences.

Their leadership actions reflect characteristics of age, education, and career experiences, filtered through personal interpretations of the situations they face. The upper-echelons theory favours the idea that effective strategic leadership is the result of both innate **abilities and learning**.

Strategy process across levels: company, Business and career managers

- **Corporate strategy** concerns questions relating to where to compete as to industry, markets, and geography.
- **Business strategy** concerns the question of how to compete. Three generic business strategies are available: cost leadership, differentiation, or value innovation.
- **Functional strategy** concerns the question of how to implement a chosen business strategy. Different corporate and business strategies will require different activities across the various functions.

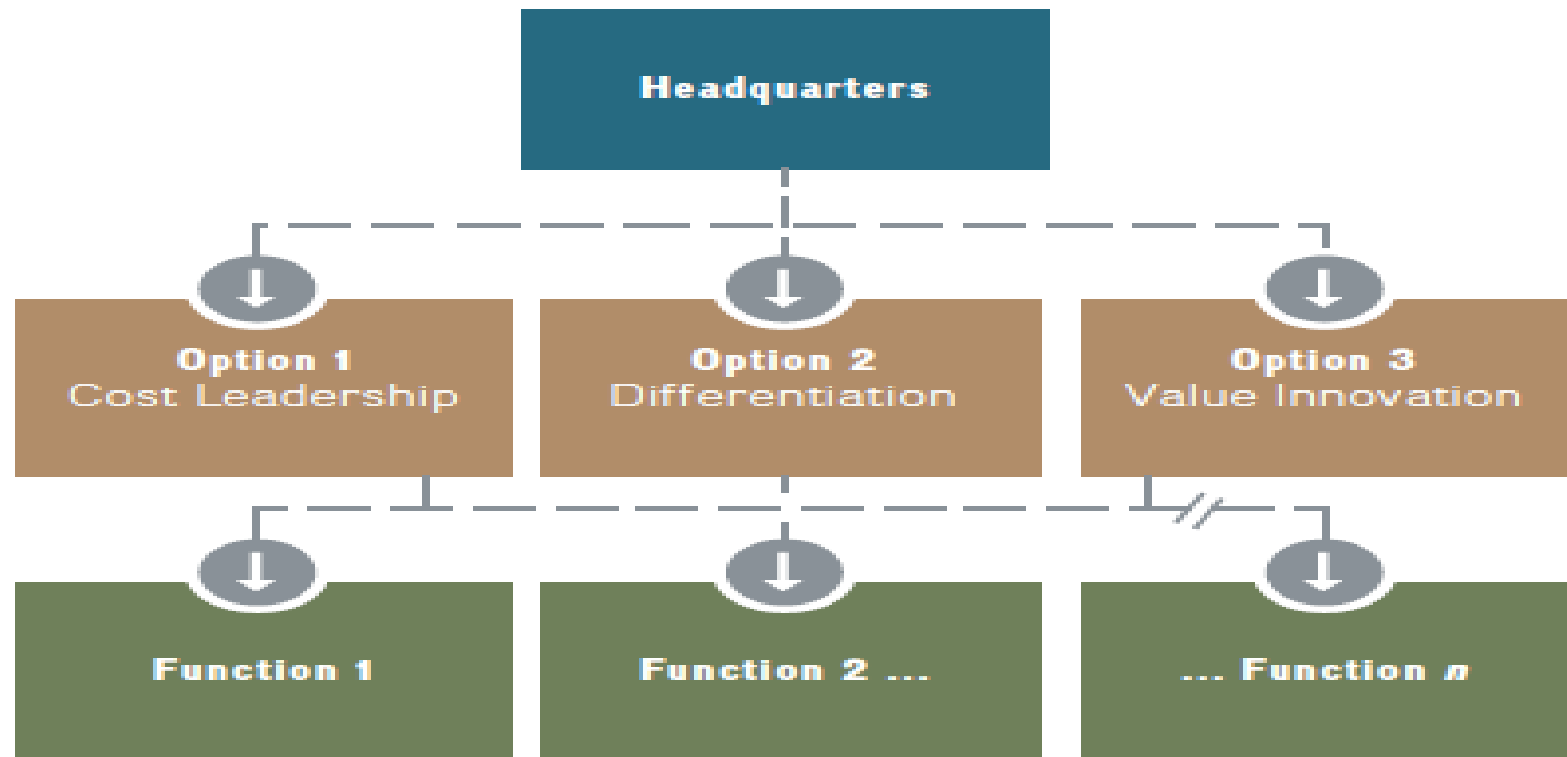


Strategy process across levels: company, Business and career managers

Corporate
Where to Compete

Business
How to Compete

Functional
How to Implement



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Chapter **02**

The Strategic Management Process

Method put in place by strategic leaders to formulate and implement a strategy, which can lay the foundation for a sustainable competitive advantage.



The Strategic Management Process

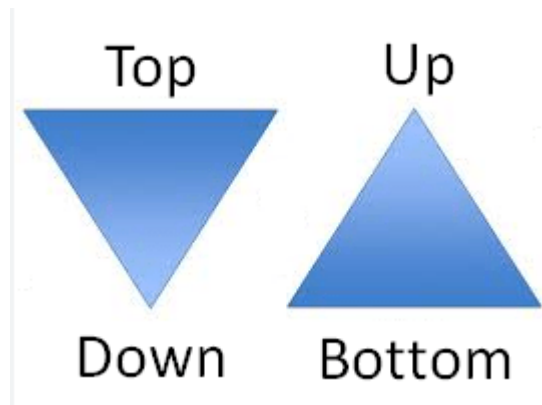
Here we turn to the process or method by which strategic leaders formulate and implement strategy. When setting the strategy process, strategic leaders rely on three approaches:

- 1. Strategic planning.**
- 2. Scenario planning.**
- 3. Strategy as planned emergence.**

The Strategic Management Process

Strategic planning from top to bottom

Top-down strategic planning A rational, data-driven strategy process through which top management attempts to program future success.



The Strategic Management Process

Strategic planning from top to bottom

The prosperous decades after World War II resulted in tremendous growth of corporations. Top-down strategic planning, derived from ***military*** strategy, is a rational process through which executives attempt to program future success. In this approach, all strategic intelligence and decision-making responsibilities are concentrated in the office of the CEO.

The Strategic Management Process

Strategic planning from top to bottom

Analysis

- Vision, Mission, and Values
- External Analysis
- Internal Analysis

Formulation

- Corporate Strategy
- Business Strategy
- Functional Strategy

Implementation

- Structure, Culture, & Control
- Corporate Governance & Business Ethics

The Strategic Management Process

Strategic planning from top to bottom

Description

A rational strategy process through which top management attempts to program future success; typically Concentrates Strategic intelligence and decision-making responsibilities in the office of the CEO.

The Strategic Management Process

Strategic planning from top to bottom

Pros

- Provides a clear strategy process and lines of communication.
- Affords coordination and control of various business activities.
- Readily accepted and understood as process is well established and widely used.
- Works relatively well in stable environments.

The Strategic Management Process

Strategic planning from top to bottom

Cons

- Fairly rigid and inhibits flexibility. جامدة إلى حد ما وتمنع المرونة.
- Top-down, one-way communication limits feedback.
- Assumes that the future can usually be predicted based on past data.
- Separates elements of AFI framework so that top management (analysis & formulation) are removed from line employees (implementation).

The Strategic Management Process

Strategic planning from top to bottom

Where Best Used

- Highly regulated and stable industries such as utilities, e.g., state-owned nuclear operator in France.
- Government
- Military

The Strategic Management Process

Scenario planning

Strategy planning activity in which top management envisions different what-if scenarios to anticipate plausible futures in order to derive strategic responses.

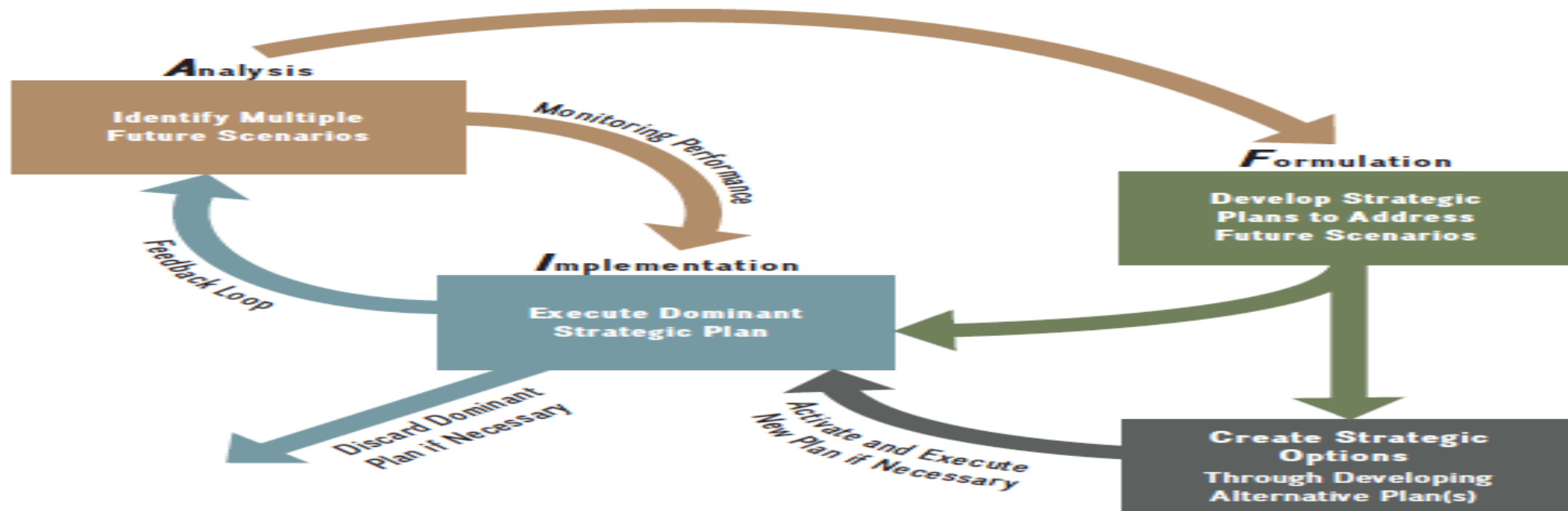
The Strategic Management Process

Scenario planning

Scenario planning asks those “what if” questions. Similar to top-down strategic planning, scenario planning also starts with a top-down approach to the strategy process. In addition, in scenario planning, top management envisions different scenarios, to anticipate plausible futures in order to derive strategic responses.

The Strategic Management Process

Scenario planning



The Strategic Management Process

Scenario planning

Description

Strategy-planning activity in which top management envisions different what-if scenarios to anticipate plausible futures in order to plan optimal strategic responses.

The Strategic Management Process

Scenario planning

Pros

- Provides a clear strategy process and lines of communication.
- Affords coordination and control of various business activities.
- Readily accepted and understood as process is well established and widely used.
- Provides some strategic flexibility.

The Strategic Management Process

Scenario planning

Cons

- Top-down, one-way communication limits feedback.
- Separates elements of AFI framework so that top management (analysis & formulation) are removed from line employees (implementation).
- As the future is unknown, responses to all possible events cannot be planned.
- Leaders tend to avoid planning for pessimistic scenarios.

The Strategic Management Process

Scenario planning

Where Best Used

- Fairly stable industries, often characterized by some degree of regulation such as airlines, logistics, or medical devices, e.g., American Airlines, Delta Air Lines, and United Airlines; FedEx and UPS; Medtronic.
- Larger firms in industries with a small number of other large competitors (oligopoly).

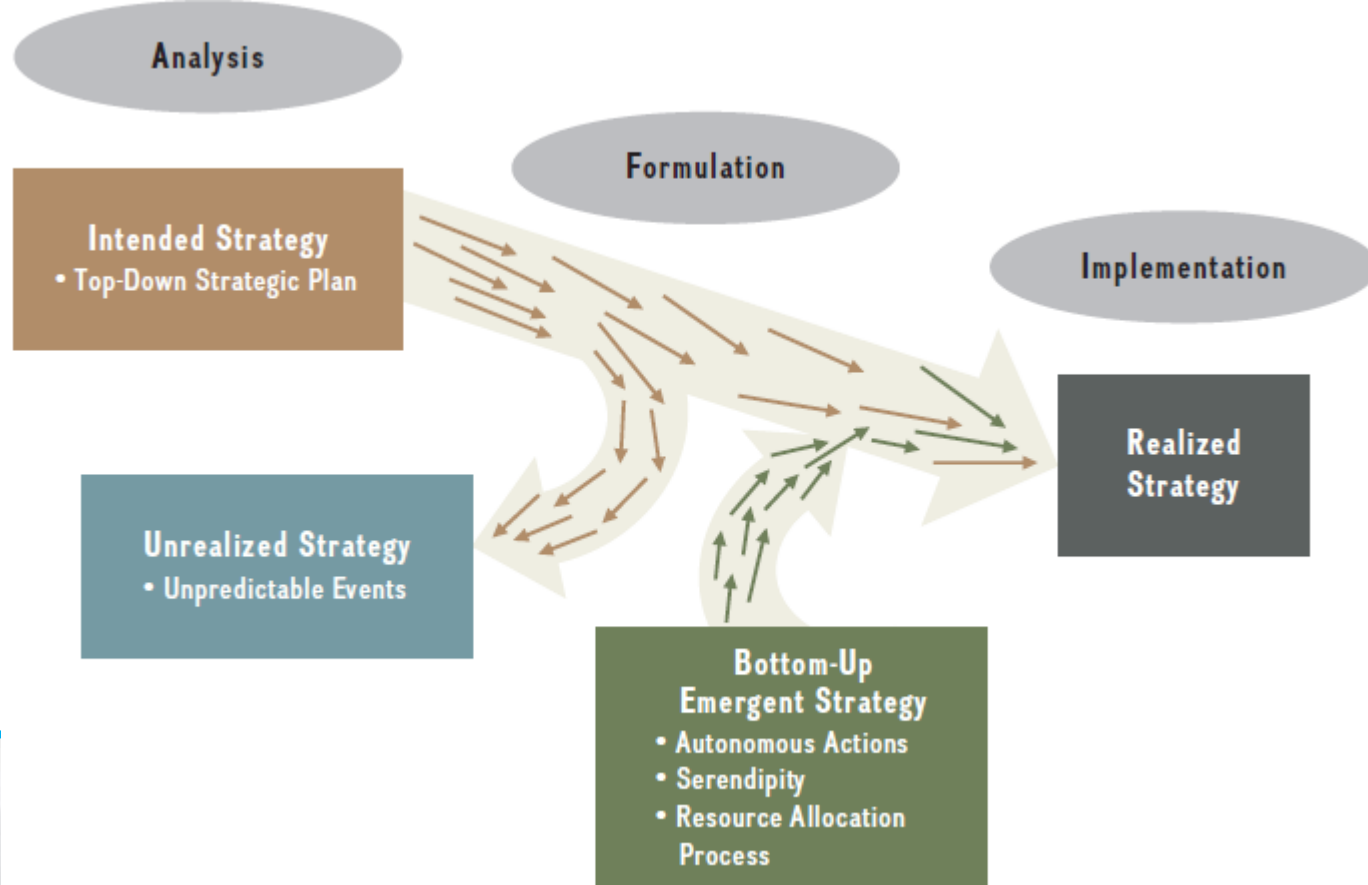
The Strategic Management Process

Strategy as planned contingency: top-down and Progressive

Strategic initiatives can be the result of top-down planning or can emerge through a bottom-up process from deep within the organization. They have the potential to shape a firm's strategy.

The Strategic Management Process

Strategy as planned contingency: top-down and Progressive



The Strategic Management Process

Strategy as planned contingency: top-down and Progressive

Description

Blended strategy process in which organizational structure and systems allow both top-down vision and bottom-up strategic initiatives to emerge for evaluation and coordination by top management.

The Strategic Management Process

Strategy as planned contingency: top-down and Progressive

Pros

- Combines all elements of the AFI framework in a holistic and flexible fashion.
- Provides provisional direction through intended strategy.
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- Accounts for unrealized strategy (not all strategic initiatives can be implemented).
- The firm's realized strategy is a combination of intended and emergent strategy.
- Highest degree of strategic flexibility and buy-in by employees.

The Strategic Management Process

Strategy as planned contingency: top-down and Progressive Cons

- Unclear strategy process and lines of communication can lead to employee confusion and lack of focus.
- Many ideas that bubble up from the bottom may not be worth pursuing.
- Firms may lack a clear process of how to evaluate emergent strategy, increasing the chances of missing mega opportunities or pursuing dead ends; may also contribute to employee frustration and lower morale.

The Strategic Management Process

Strategy as planned contingency: top-down and Progressive

Where Best Used

- New ventures and smaller firms.
- High-velocity industries such as technology ventures.
- Internet companies; e.g., Airbnb, Alibaba, Alphabet (parent company of Google), Amazon, Facebook, Twitter, and Uber.

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Chapter
2

2.3 Stakeholders and Competitive Advantage



Chapter
2

2.3 Stakeholders and Competitive Advantage

stakeholder strategy An integrative approach to managing a diverse set of stakeholders effectively in order to gain and sustain competitive advantage.



The Strategic Management Process

Assess the relationship between stakeholder strategy and sustainable competitive advantage.

■ *Stakeholders* are individuals or groups that have a claim or interest in the performance and continued survival of the firm. They make specific contributions for which they expect rewards in return.

The Strategic Management Process

Assess the relationship between stakeholder strategy and sustainable competitive advantage.

■ *Internal stakeholders* include stockholders, employees (for instance, executives, managers, and workers), and board members.

The Strategic Management Process

Assess the relationship between stakeholder strategy and sustainable competitive advantage.

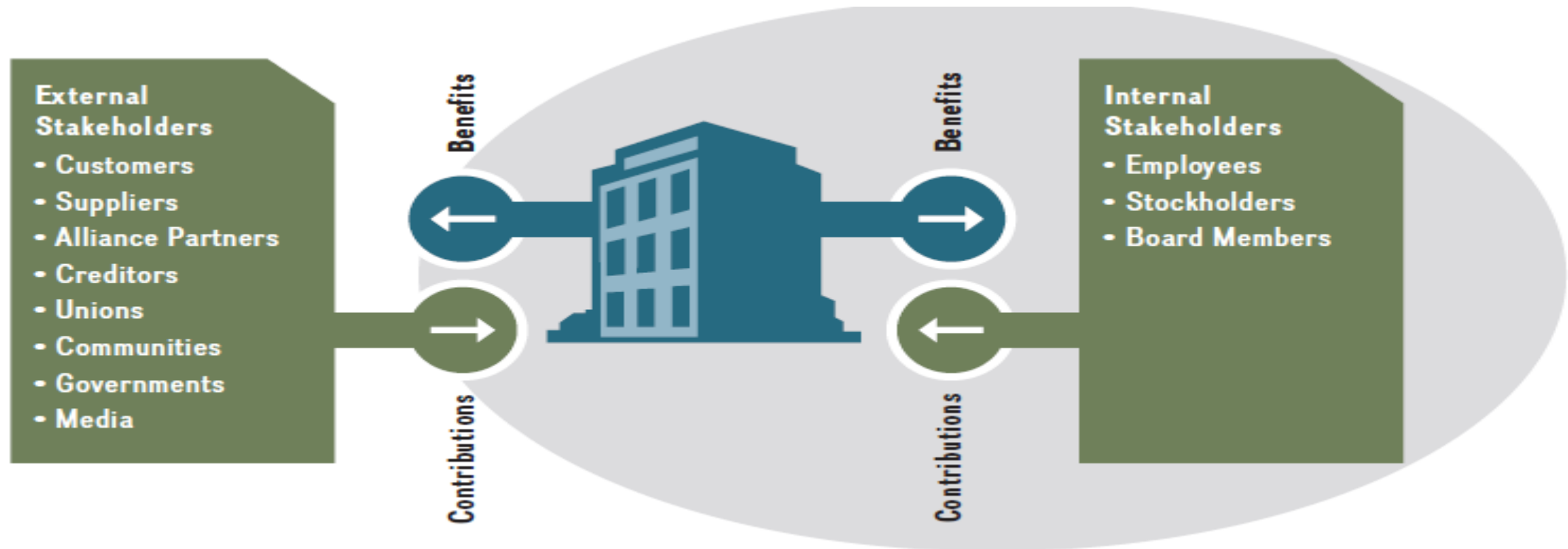
- *External stakeholders* include customers, suppliers, alliance partners, creditors, unions, communities, governments at various levels, and the media.
- The effective management of stakeholders is necessary to ensure the continued survival of the firm and to sustain any competitive advantage. This is achieved through *stakeholder strategy*.

Stakeholder strategy

Stakeholders have a vested claim or interest in the performance and continued survival of the firm. Stakeholders can be grouped by whether they are internal or external to a firm.

Internal stakeholders include employees (including executives, managers, and workers), stockholders, and board members. External stakeholders include customers, suppliers, alliance partners, creditors, unions, communities, governments at various levels, and the media.

Stakeholder strategy



The Strategic Management Process

Conduct a stakeholder impact analysis.

- Stakeholder impact analysis considers the needs of different stakeholders, which enables the firm to perform optimally and to live up to the expectations of good citizenship.

The Strategic Management Process

Conduct a stakeholder impact analysis.

- In a stakeholder impact analysis, managers pay particular attention to three important stakeholder attributes: power, legitimacy, and urgency.

The Strategic Management Process

Conduct a stakeholder impact analysis.

■ Stakeholder impact analysis is a five-step process that answers the following questions for the firm:

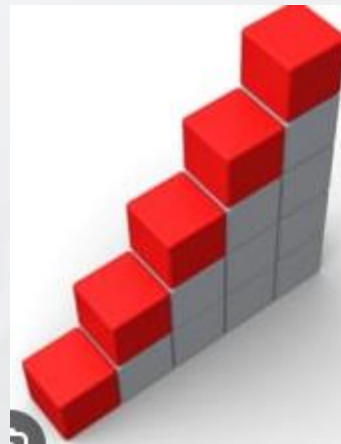
1. Who are our stakeholders?
2. What are our stakeholders' interests and claims?
3. What opportunities and threats do our stakeholders present?
4. What economic, legal, ethical, and philanthropic responsibilities do we have to our stakeholders?
5. What should we do to effectively address the stakeholder concerns?



Chapter 2

2.3 Stakeholders and Competitive Advantage

The five steps in stakeholder impact analysis and the key questions to be asked.



5 Steps

The five steps in stakeholder impact analysis and the key questions to be asked.

STEP 1: IDENTIFY STAKEHOLDERS.

In Step 1, strategic leaders ask, “Who are our stakeholders?”

In this step, the strategic leaders focus on stakeholders that currently have, or potentially can have, a material effect on a company. This prioritization identifies the most powerful internal and external stakeholders as well as their needs.

The five steps in stakeholder impact analysis and the key questions to be asked.

STEP 2: IDENTIFY STAKEHOLDERS' INTERESTS.

In Step 2, strategic leaders ask, “What are our stakeholders’ interests and claims?”

Managers need to specify and assess the interests and claims of the pertinent stakeholders using the power, legitimacy, and urgency criteria introduced earlier. As the legal owners, shareholders have the most legitimate claim on a company’s profits.

The five steps in stakeholder impact analysis and the key questions to be asked.

STEP 3: IDENTIFY OPPORTUNITIES AND THREATS.

In Step 3, strategic leaders ask, “What opportunities and threats do our stakeholders present?”

Since stakeholders have a claim on the company, opportunities and threats are two sides of the same coin.

The five steps in stakeholder impact analysis and the key questions to be asked.

STEP 4: IDENTIFY SOCIAL RESPONSIBILITIES.

In Step 4, strategic leaders ask, “What economic, legal, ethical, and philanthropic responsibilities do we have to our stakeholders?”

To identify these responsibilities more effectively, scholars have advanced the notion of **corporate social responsibility (CSR)**. This framework helps firms recognize and address the economic, legal, ethical that society has of the business enterprise at a given point in time.

The five steps in stakeholder impact analysis and the key questions to be asked.

STEP 5: ADDRESS STAKEHOLDER CONCERNS.

Finally, in Step 5, the firm asks, “What should we do to effectively address any stakeholder concerns?”

In the last step in stakeholder impact analysis, strategic leaders need to decide the appropriate course of action for the firm, given all of the preceding factors. Thinking about the attributes of power, legitimacy, and urgency helps to prioritize the legitimate claims and to address them accordingly.



Thank You