

BMBM6024

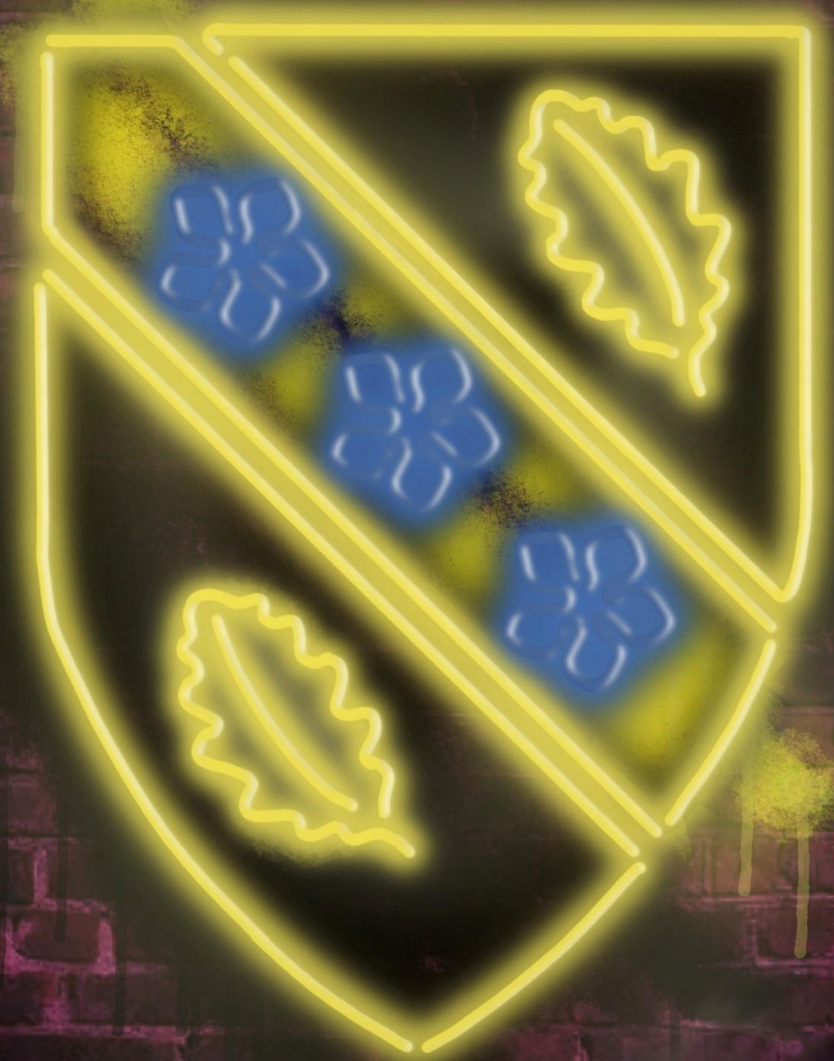
Strategic Management & Sustainability

Missions, Visions Values –
Objectives
Understanding Market Forces -
External Analysis



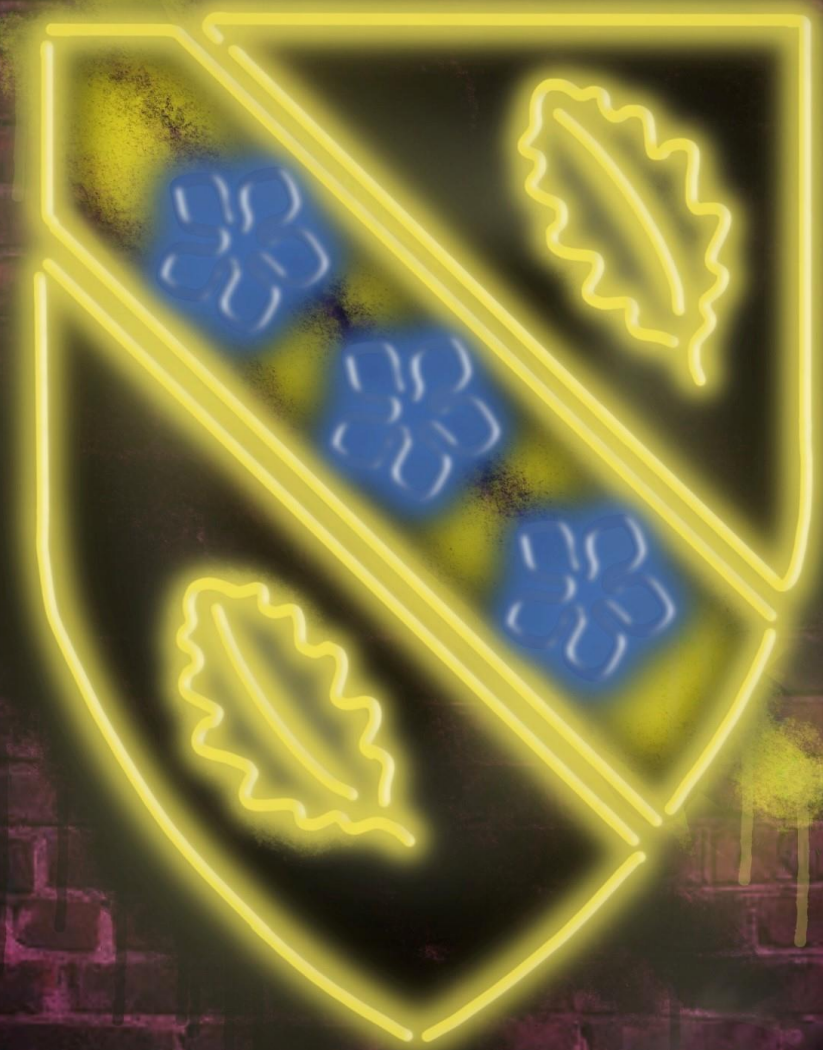
**What does
Strategic
Management
mean to you?**

- RECAP -



Strategic Management

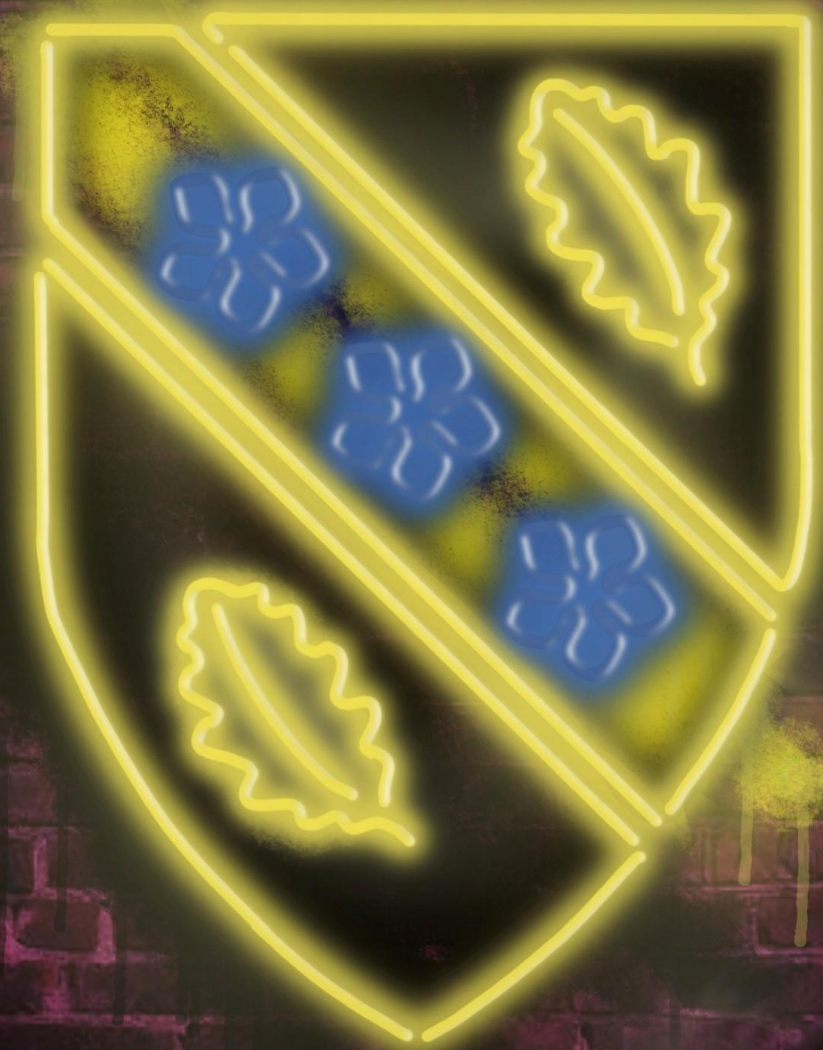
- no facts;
- no 'right' answers;
- multitude of views;
- Lots of MODELS
- lots of jargon;
- vast literature;
- integrates knowledge from other fields;
- dealing with dynamic factors.



Strategic Decisions

Key organisational decisions about:

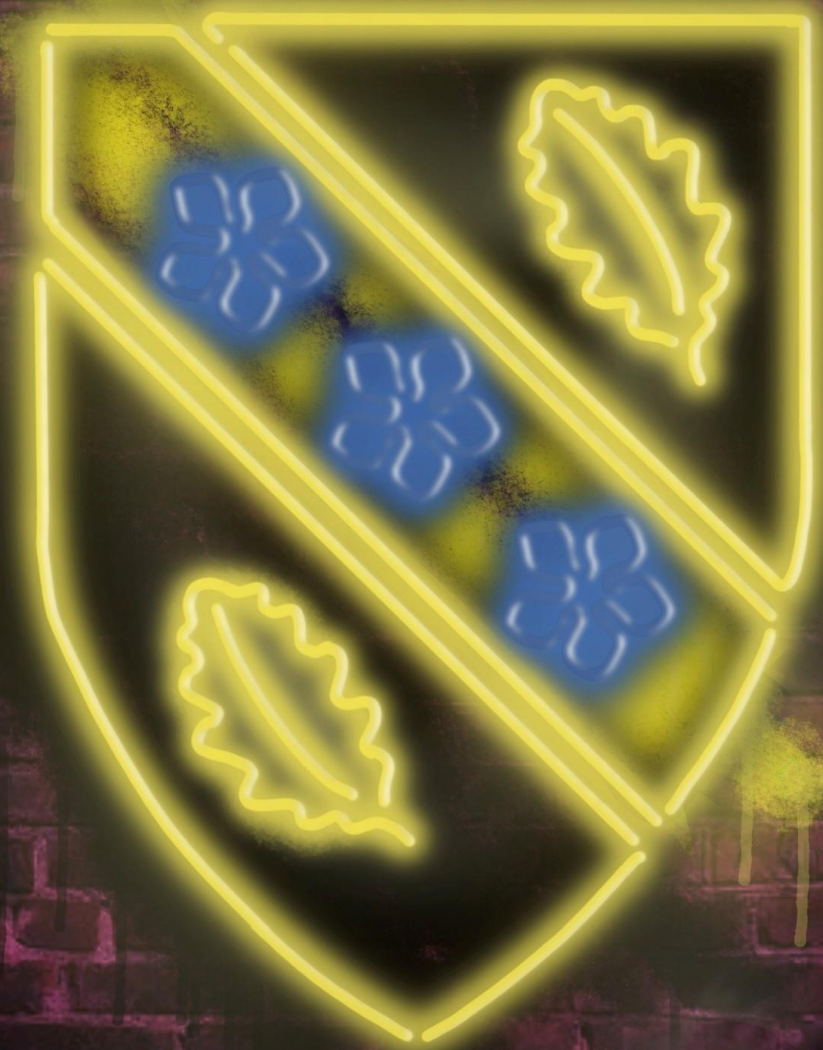
- long-term direction;
- the scope of an organisation's activities;
- gaining advantage over competitors;
- addressing changes in the business environment;
- building on resources and competences (capability);
- values and expectations of stakeholders;
- impact on operational decisions.



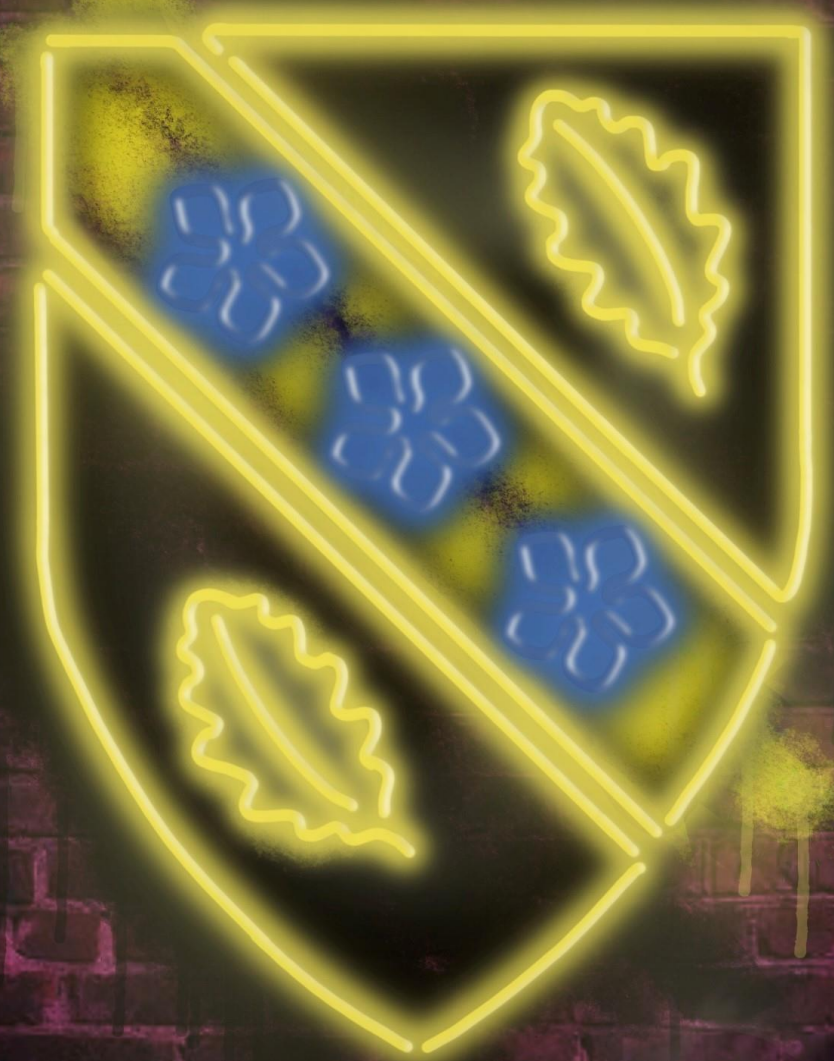
Strategic Decisions

Strategic decisions will:

- be **complex** in nature;
- be made in situations of **uncertainty**;
- affect **tactical** and **operational** decisions;
- require an **integrated** approach (inside and outside the organisation);
- involve considerable **change**;
- involve **senior** management.



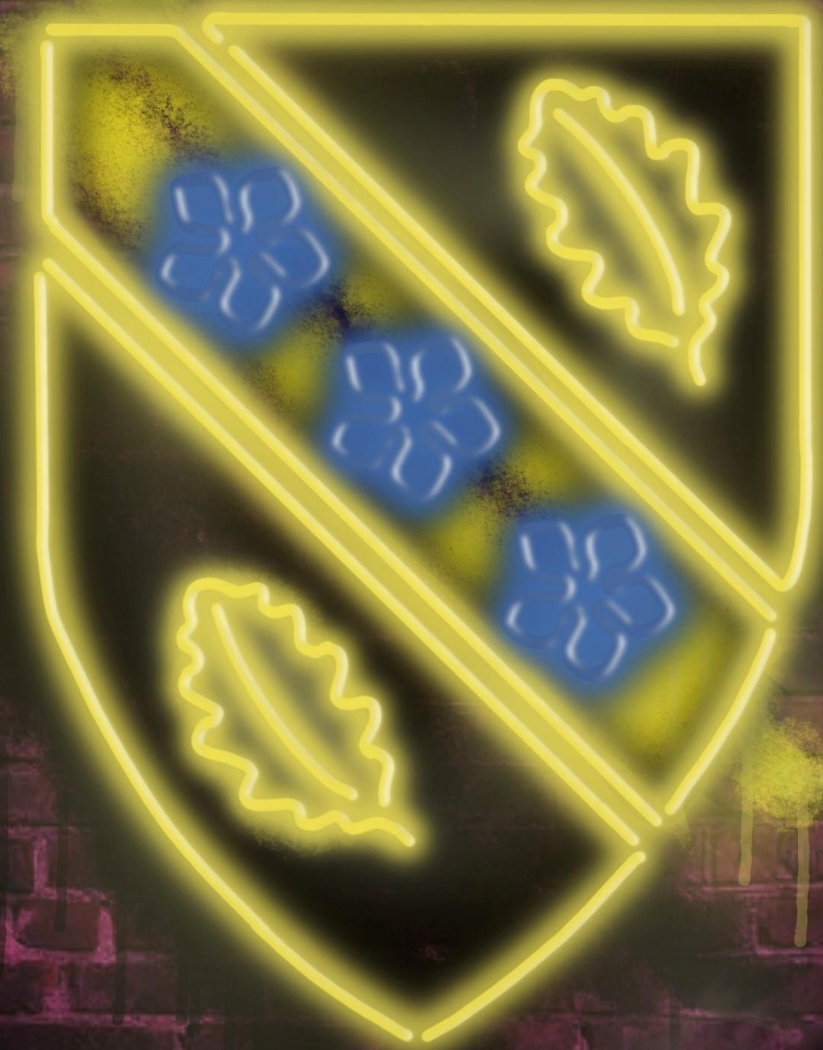
Levels of Strategy



Levels of Strategy

A hierarchy of decision making

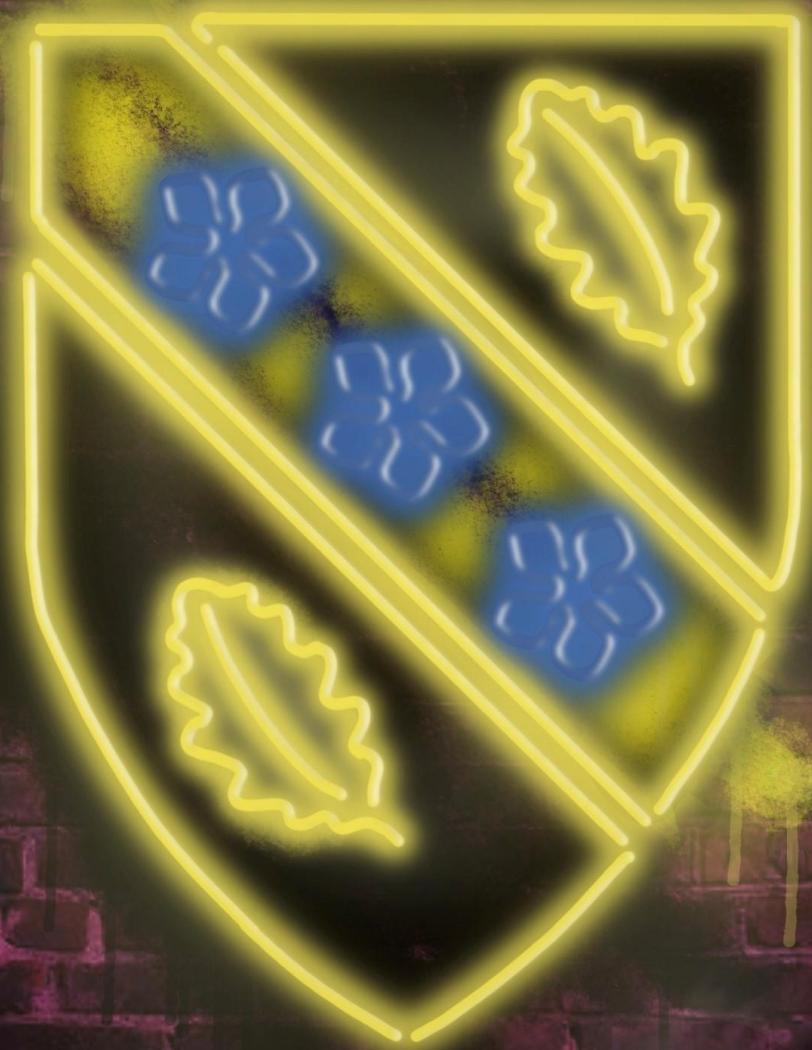
- **strategic level**
- **tactical level**
- **operational level.**



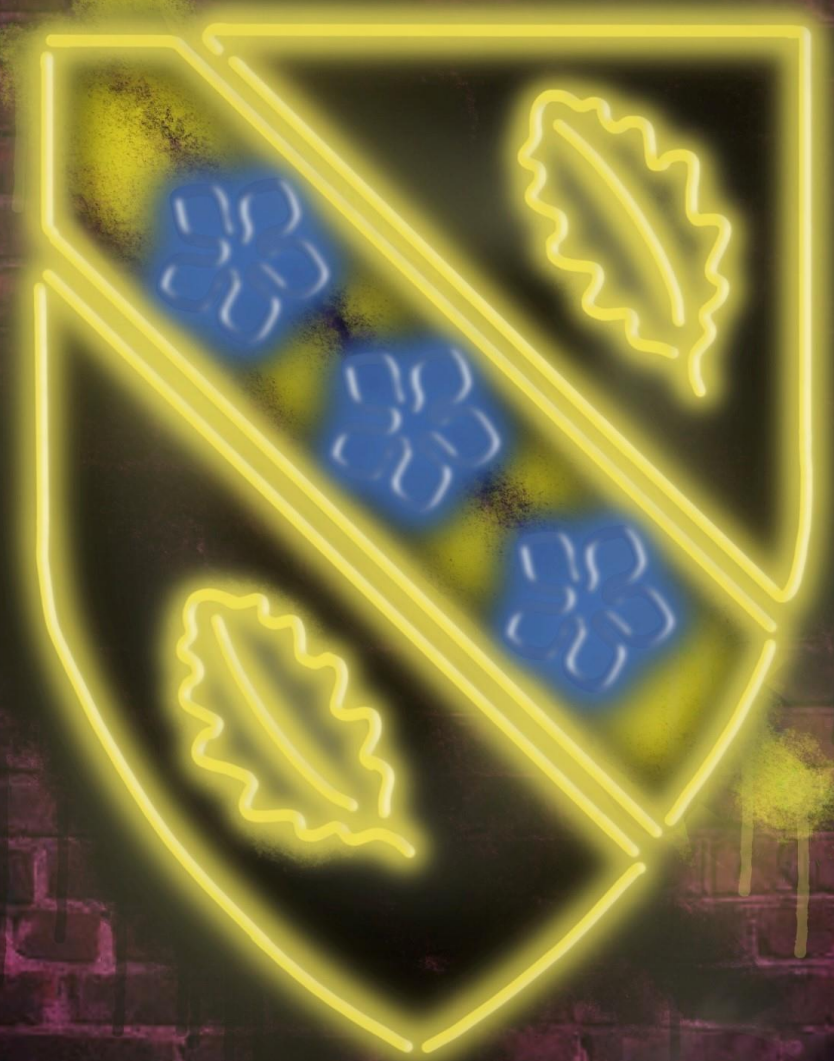
Levels of Strategy

Strategic, tactical and operational decisions differ in:

- focus;
- level in the organisation at which they are made;
- scope;
- time horizon;
- degree of certainty or uncertainty;
- complexity.



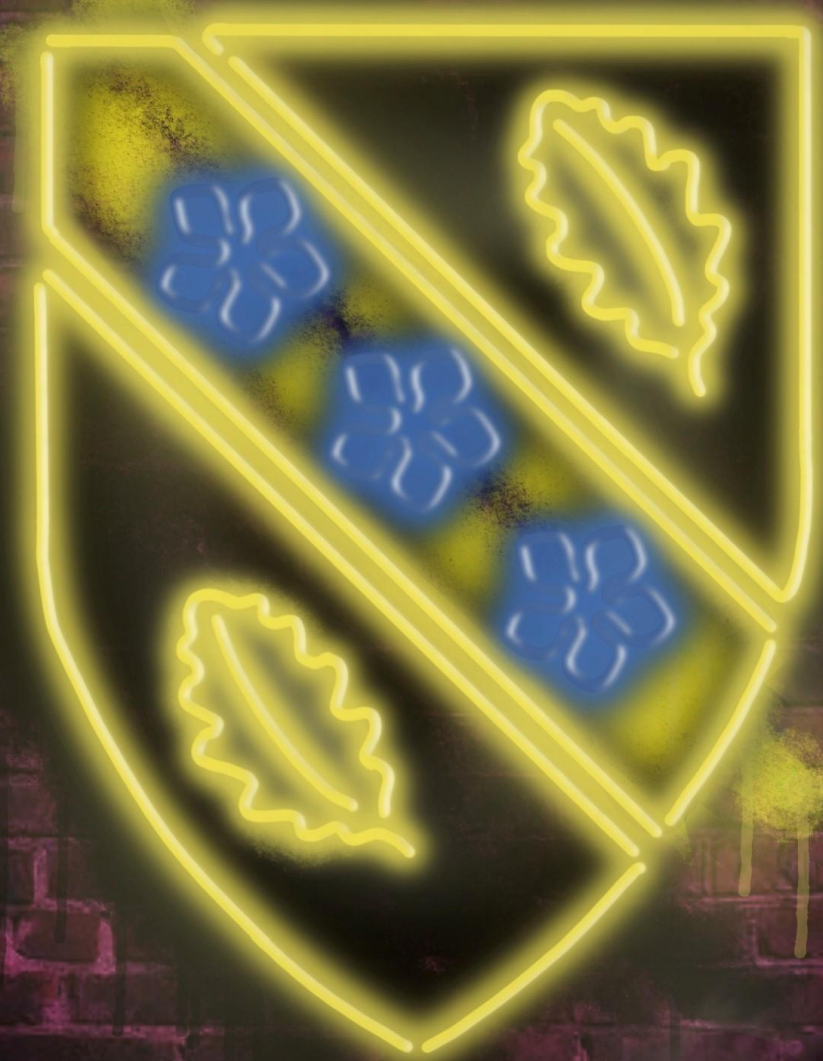
Mission
Vision
Values
Objectives



Mission Statement

Articulates the fundamental purpose of the organisation;

- often contains:
 - organisation philosophy;
 - organisation identity or self-concept;
 - principal products or services;
 - customers and markets;
 - geographic focus;
 - obligations to shareholders;
 - commitment to employees.

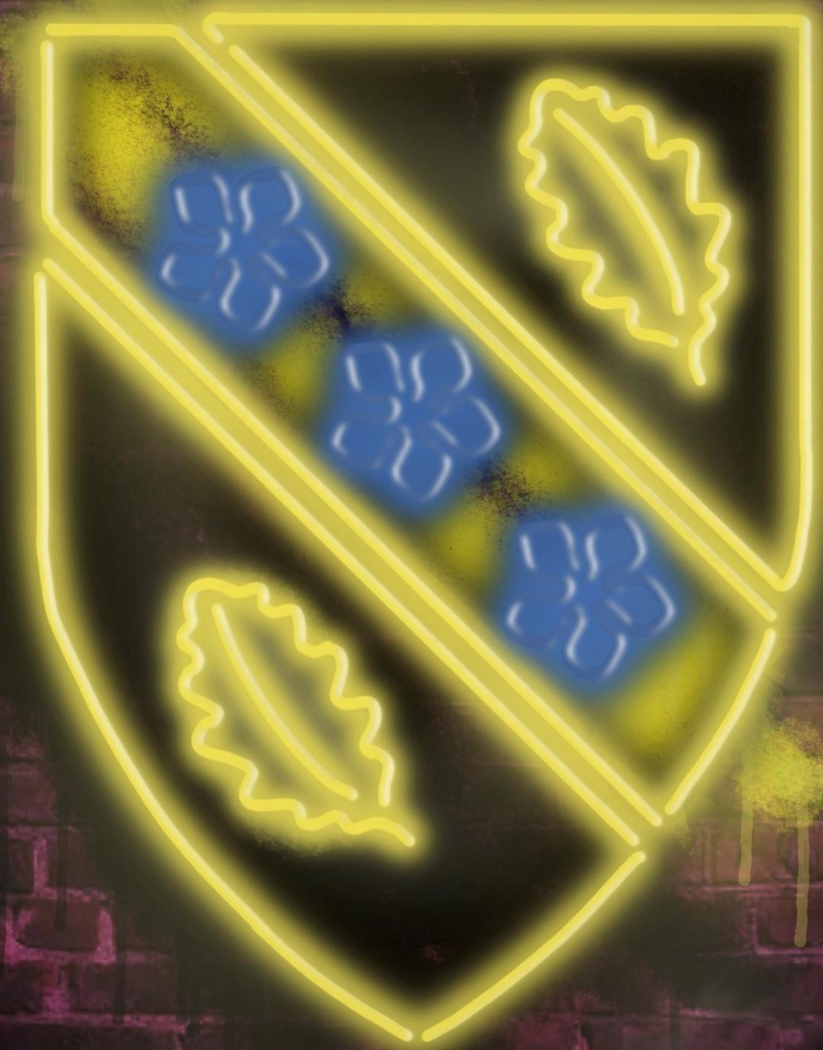


Vision and Values

Vision = desired future state

Possible characteristics:

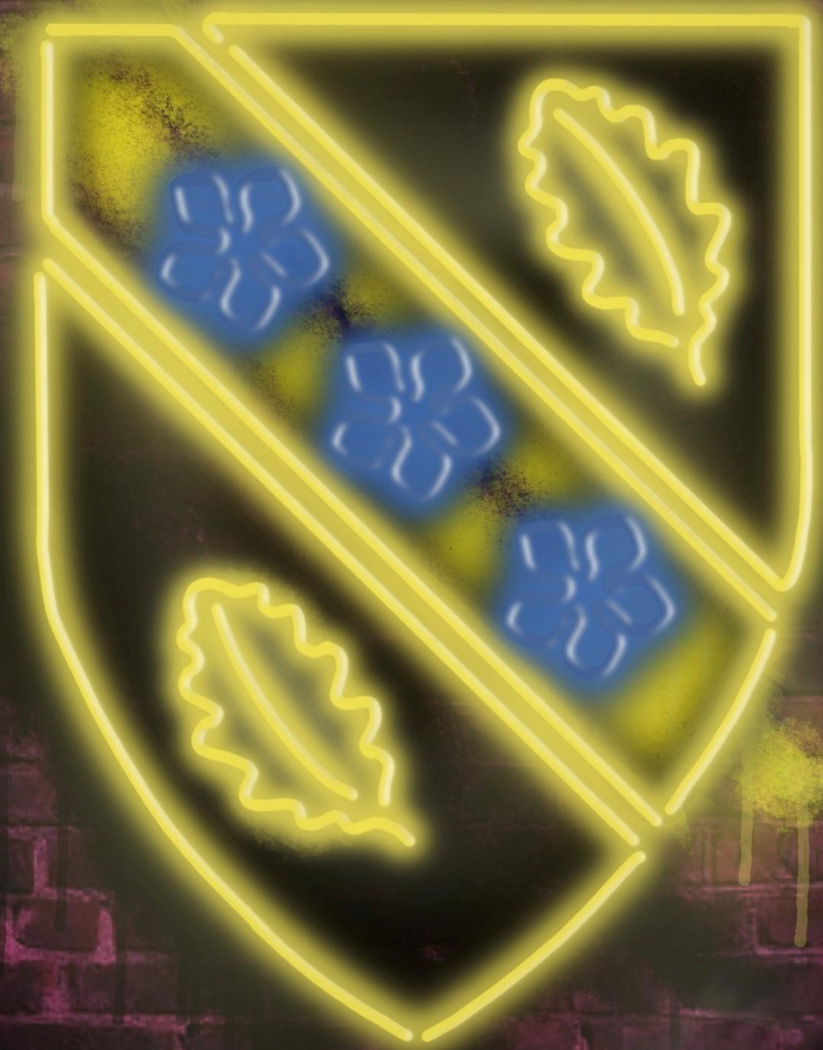
- conciseness;
- clarity ;
- future orientation ;
- challenge;
- abstractness ;
- ability to inspire .
- Values – philosophical principles



Objectives

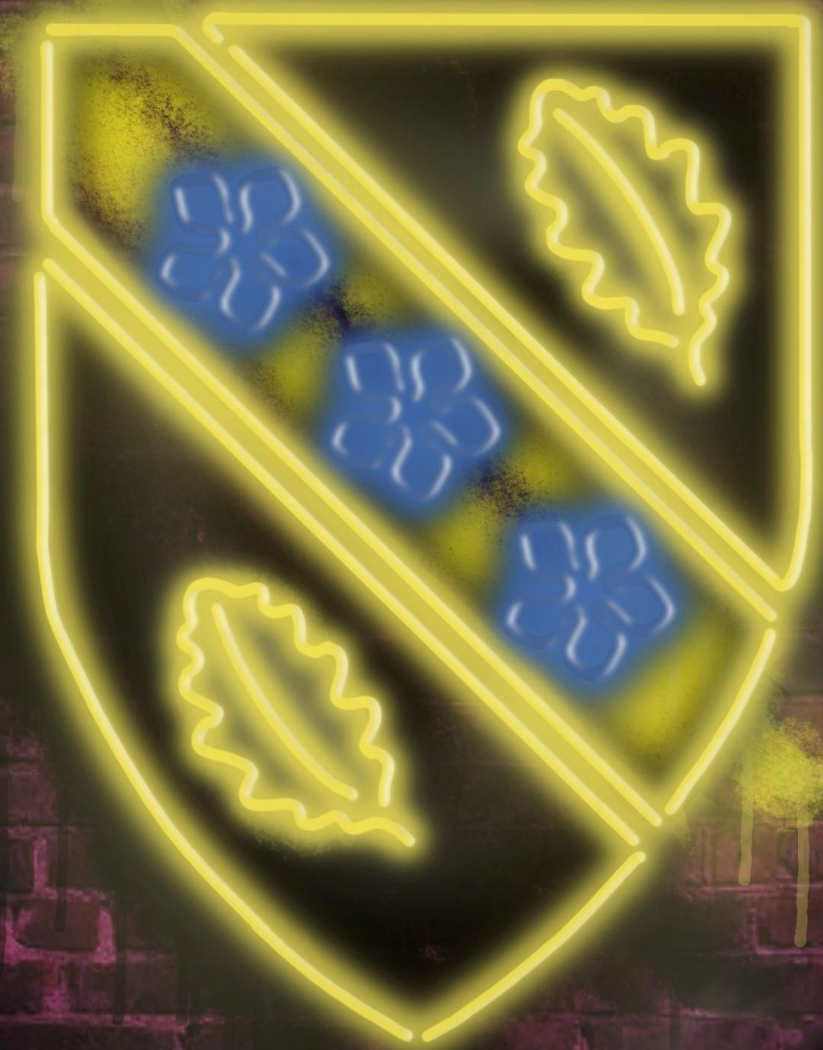
Broadly: what the organisation is trying to be and trying to achieve;

- require congruency and fit between levels;
- an overall enduring purpose – Mission;
- a desired future position – Vision;
- translating mission and vision into specific targets:
 - corporate objectives
 - business objectives
 - Functional/unit and personal objectives.



Corporate Objectives

- provide a sense of direction;
- provide a standard of measurement and a means of controlling performance;
- project an image of the organisation's style;
- objective writing is a 'CRIME'
 - **C**ommunicable
 - **R**ealistic
 - **I**nternally consistent
 - **M**easurable
 - **E**xplicit.



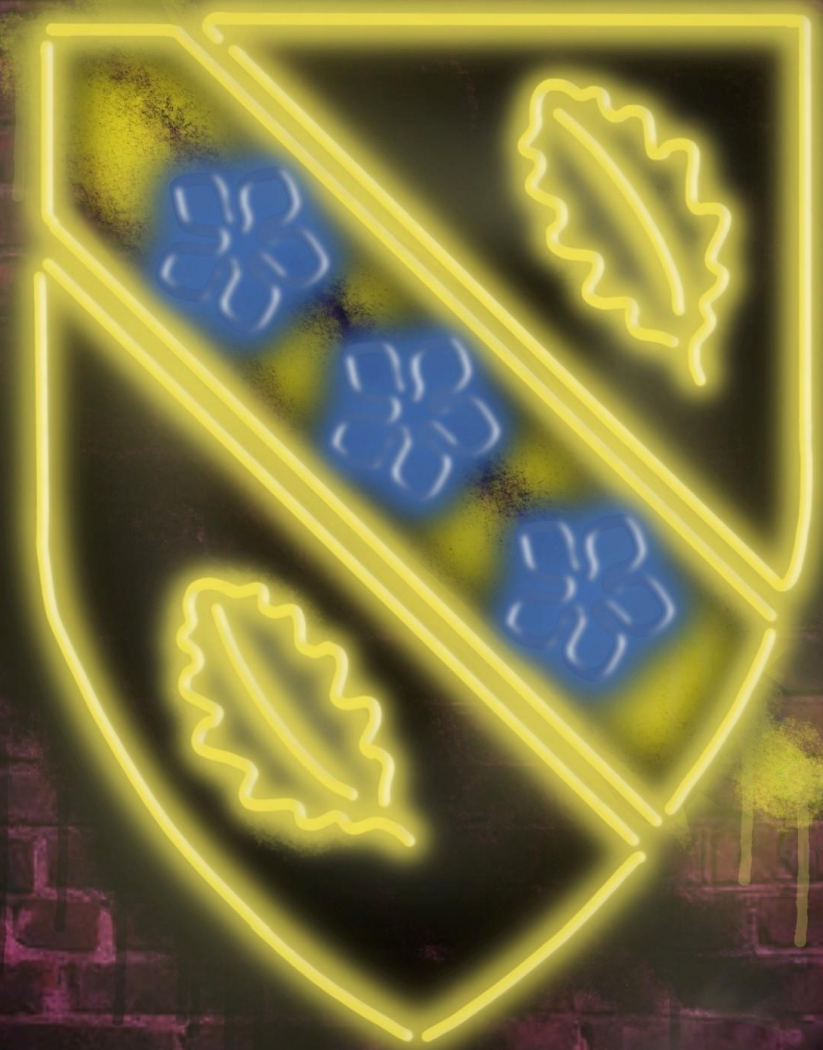
How Objectives Are Set

The stockholder approach

- Organisations exist primarily for their owners.
- Objectives are set to maximise the financial rate of return on the owners.

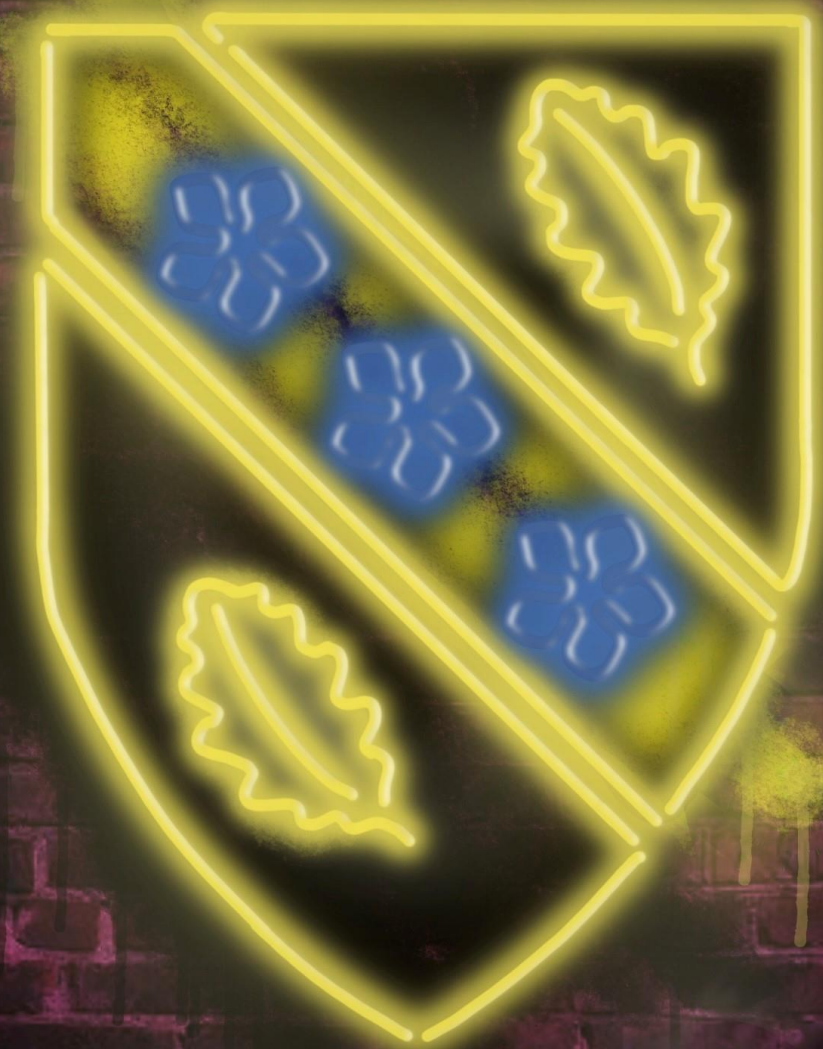
The stakeholder approach

- Organisations have relationships with various groups.
- The stakeholder groups have a legitimate interest in influencing the setting of objectives.



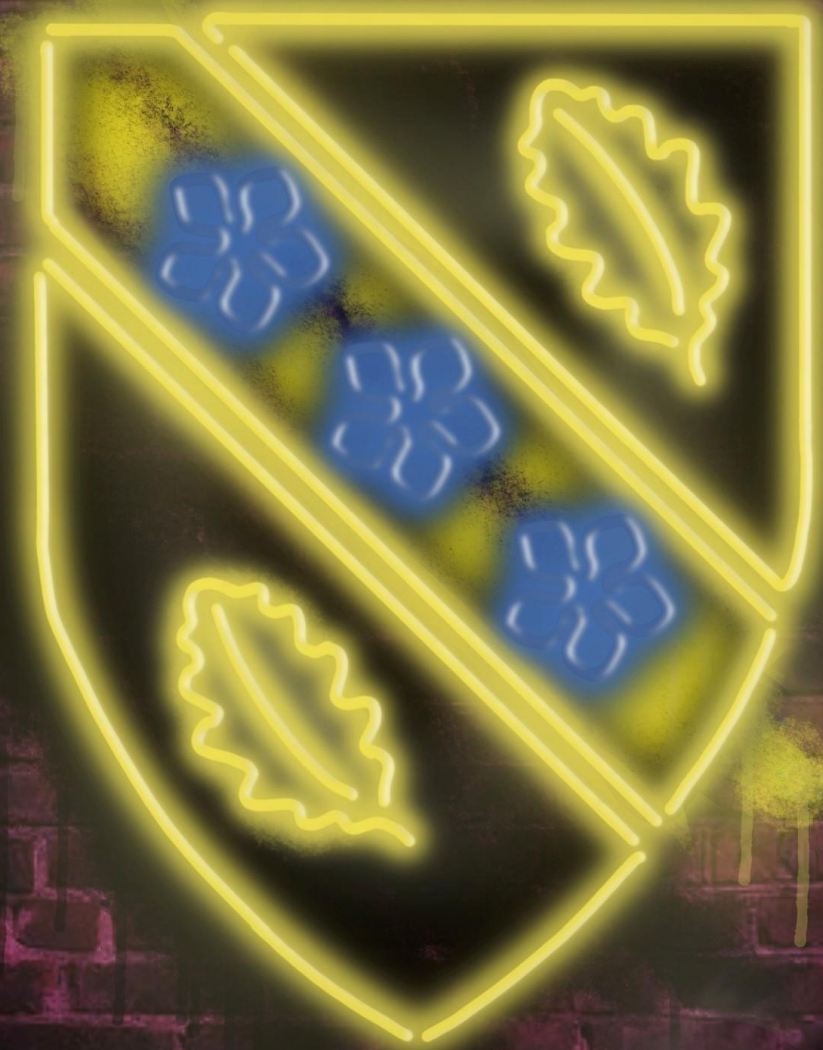
So, planning.....

- Is a process
- It anticipates and orders change
- It looks forward
- It seeks the optimal solutions
- It tries to increase/maximise the possible benefits of any development
- Tries to produce predictable outcomes

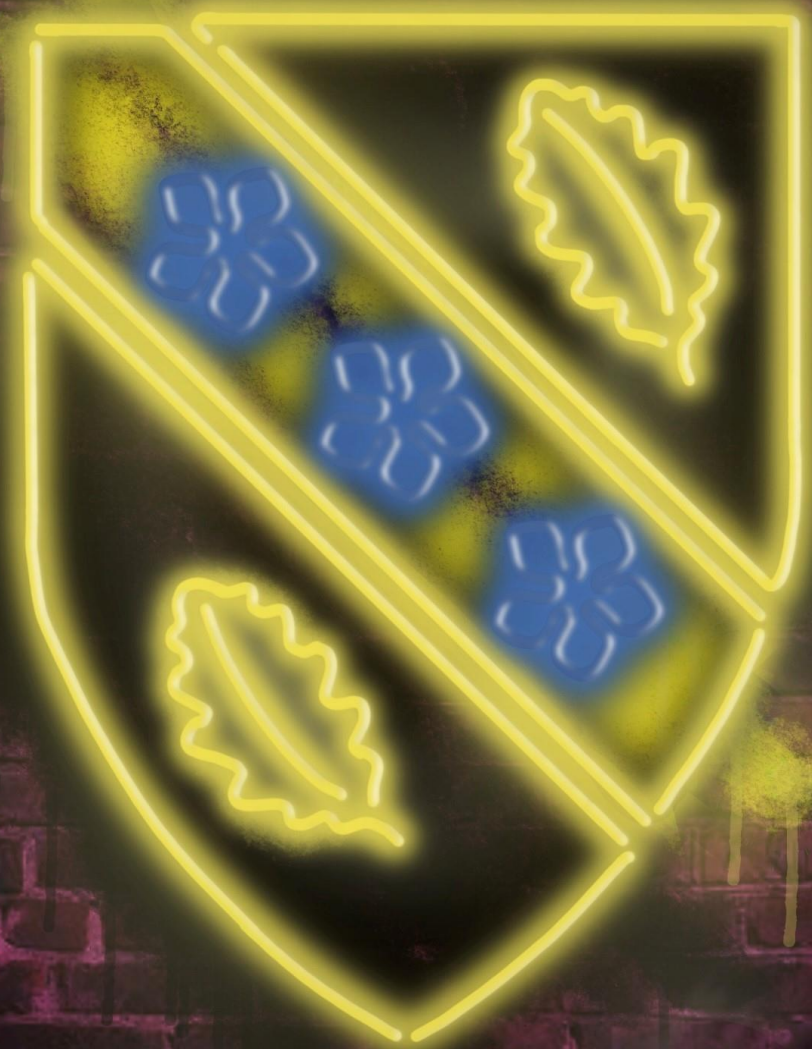


What is strategy?

- **Strategy entails futuristic thinking and developing a course of action to meet goals and objectives**
- **A strategy should be able to define and address the following:**
 - Our current position (where are we now?)
 - Our intended future position (where do we want to go?)
 - Our growth from the current position to the future position (how do we get there?)

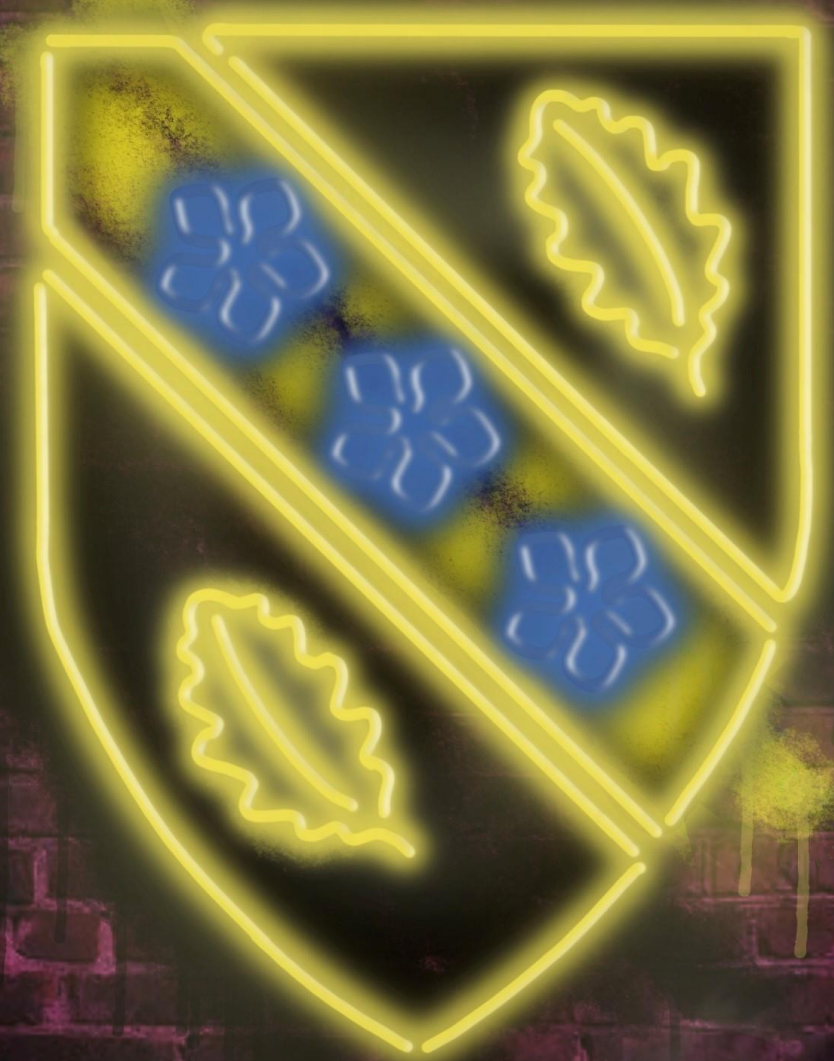


THE STRATEGIC MANAGEMENT FRAMEWORK



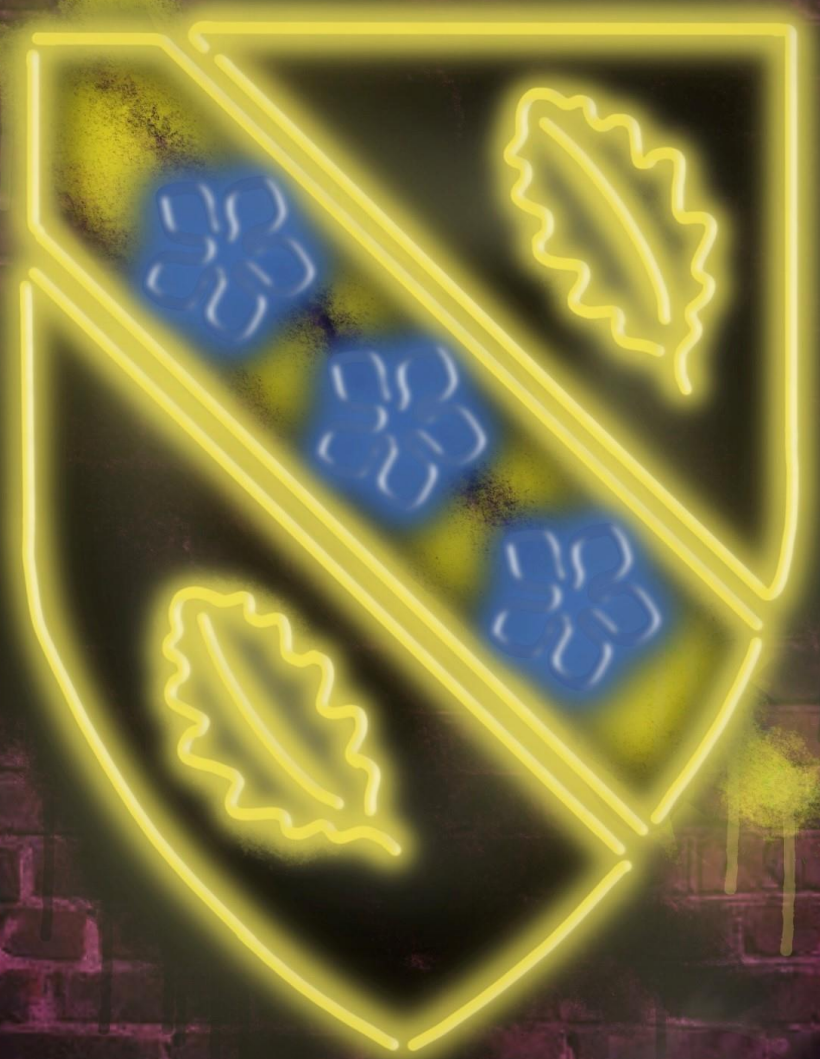
What is strategic management?

- Strategic management is a field of study that includes a process through which an organisation is able to set its mission, vision, goals, and objectives as well as craft and execute strategies at various levels of its hierarchy in order to create and sustain competitive advantage.

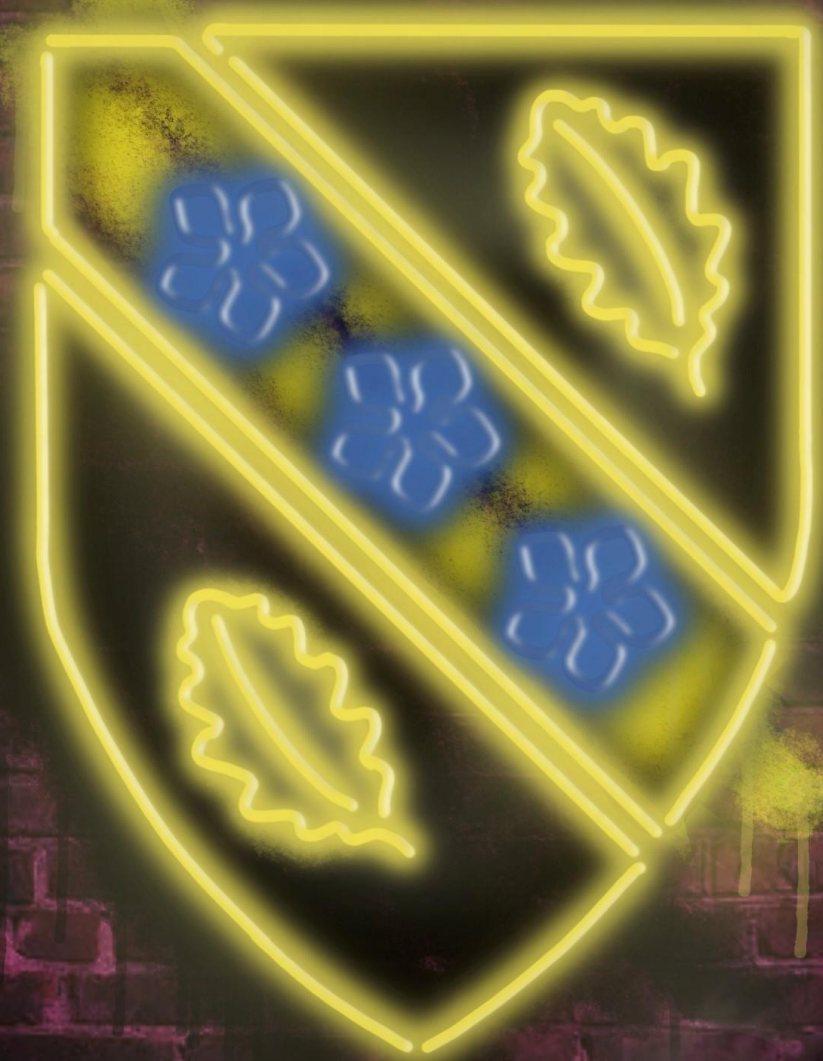


THE FIVE COMPETITIVE FORCES THAT SHAPE STRATEGY

by Michael E. Porter



The Five Forces That Shape Industry Competition



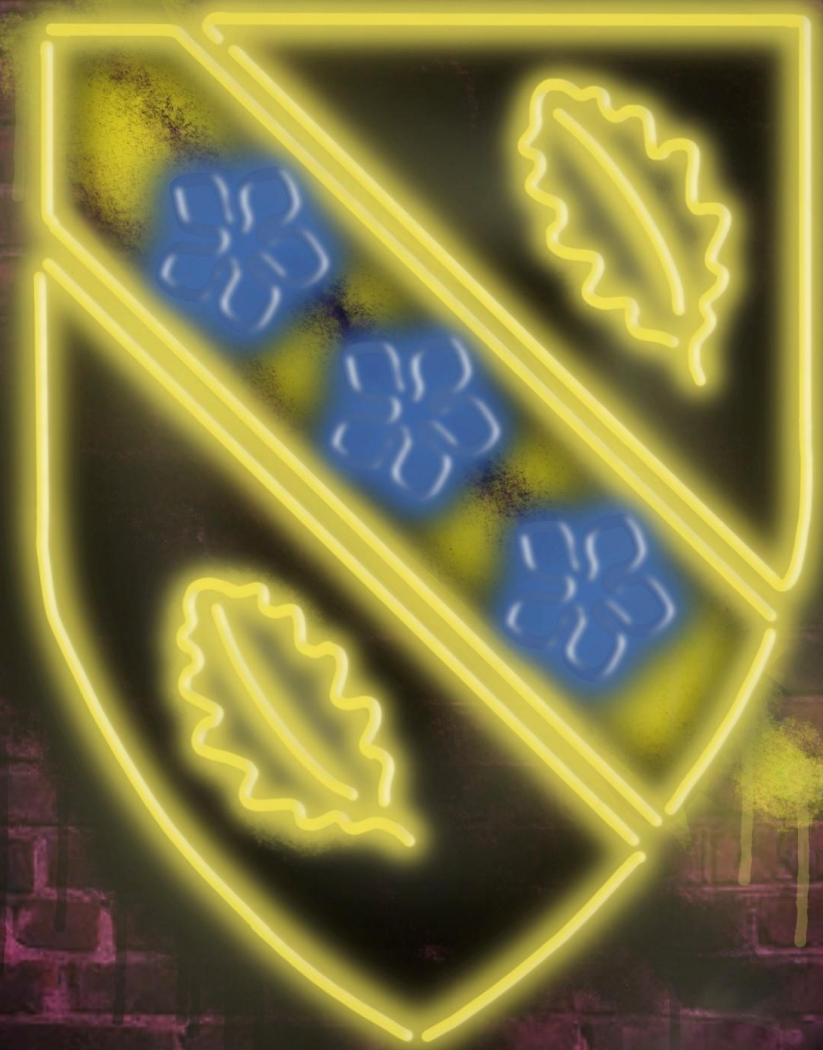
THREAT OF ENTRY

New entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete.

Particularly when new entrants are diversifying from other markets, they can leverage existing capabilities and cash flows to shake up competition, as Pepsi did when it entered the bottled water industry, Microsoft did when it began to offer internet browsers, and Apple did when it entered the music distribution business.

The threat of entry, therefore, puts a cap on the profit potential of an industry.

How easy is it for new entrants to enter your industry? Does this diminish your power in the industry? Can you make it more difficult for a new entrant to emulate your product or service?



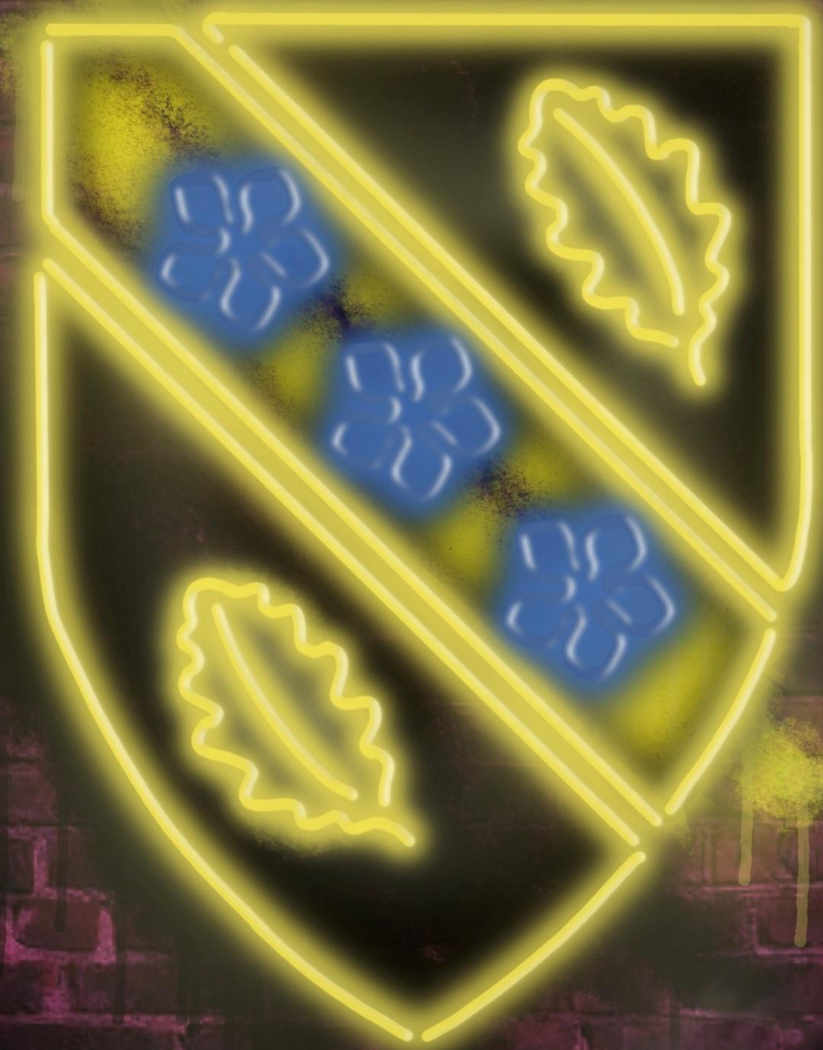
THE POWER OF SUPPLIERS

Powerful suppliers capture more of the value for themselves by charging higher prices, limiting quality or services, or shifting costs to industry participants.

Powerful suppliers, including suppliers of labor, can squeeze profitability out of an industry that is unable to pass on cost increases in its own prices.

Microsoft, for instance, has contributed to the erosion of profitability among personal computer makers by raising prices on operating systems. PC makers, competing fiercely for customers who can easily switch among them, have limited freedom to raise their prices accordingly.

How much clout do your suppliers have? Can they drive up their prices because they know your choice is limited or because they offer a unique product you can't get elsewhere?

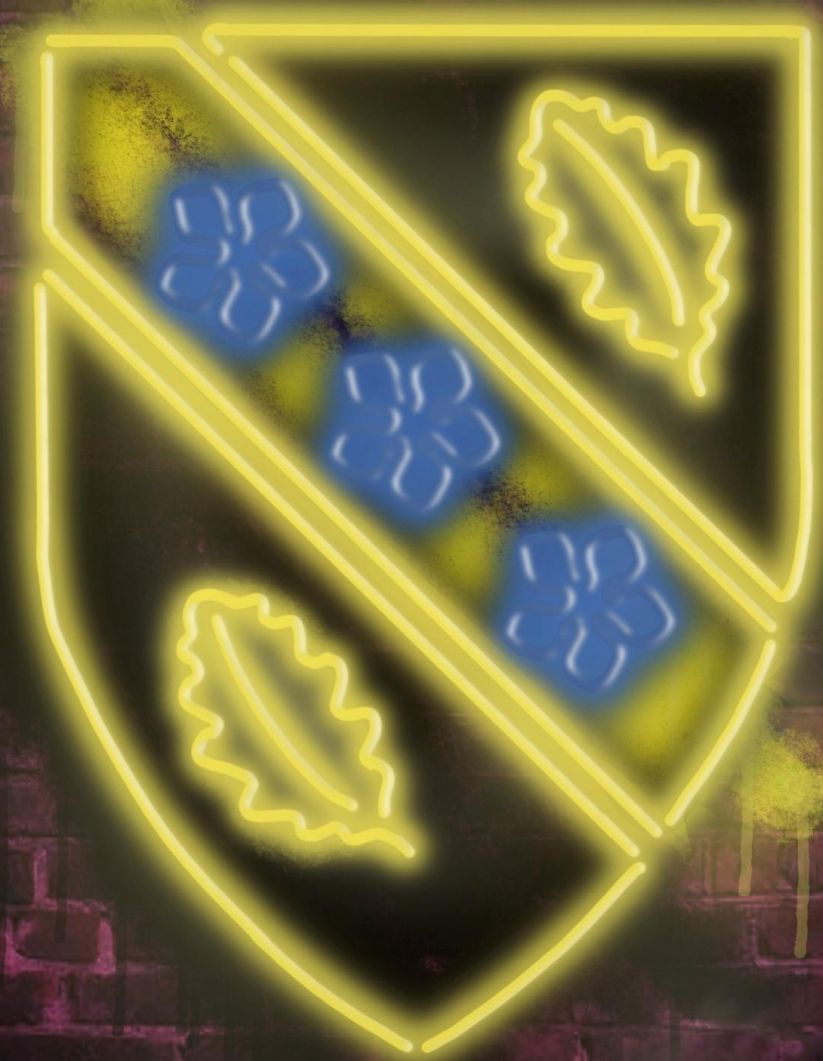


THE POWER OF BUYERS

Powerful customers – the flip side of powerful suppliers – can capture more value by forcing down prices, demanding better quality or more service (thereby driving up costs), and generally playing industry participants off against one another, all at the expense of industry profitability.

Buyers are powerful if they have negotiating leverage relative to industry participants, especially if they are price sensitive, using their clout primarily to pressure price reductions.

How powerful are your customers? Can they easily choose a different product or service? Is there any way you can reduce this power, such as by offering longer-term contracts that tie them to your business?



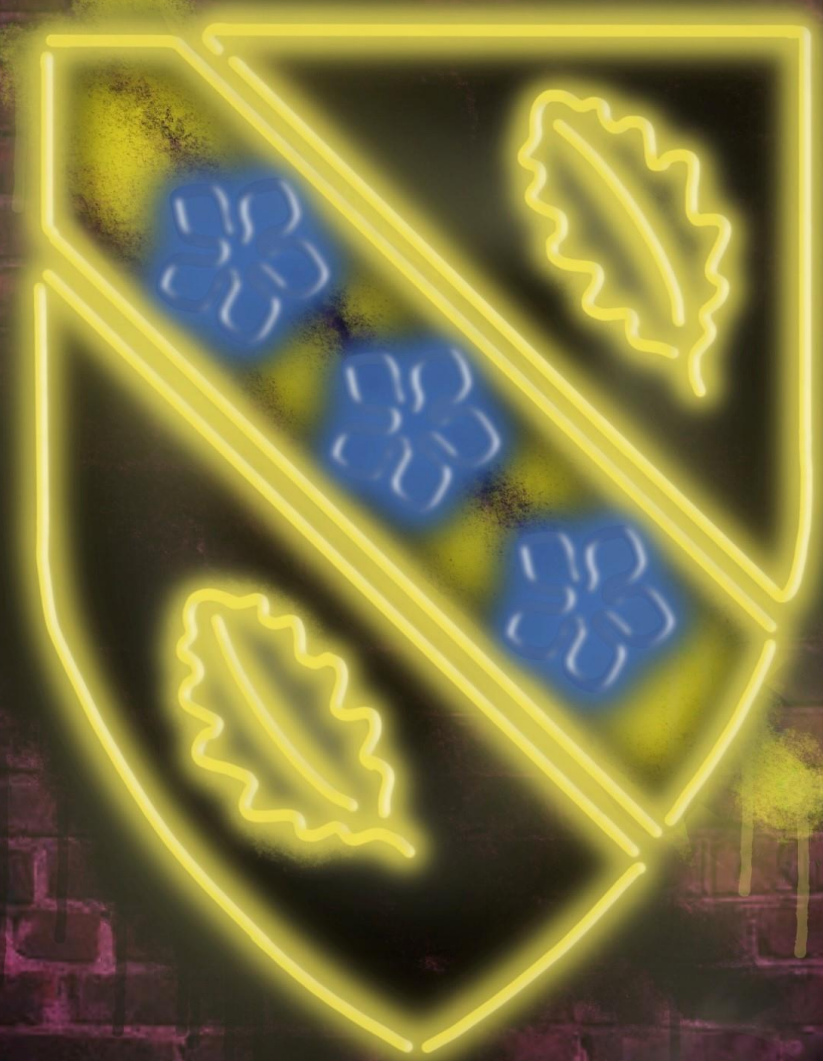
THE THREAT OF SUBSTITUTES

A substitute performs the same or a similar function as an industry's product by a different means. Videoconferencing is a substitute for travel.

Plastic is a substitute for aluminium. E-mail is a substitute for express mail. Sometimes, the threat of substitution is downstream or indirect, when a substitute replaces a buyer industry's product.

For example, lawn-care products and services are threatened when multifamily homes in urban areas substitute for single-family homes in the suburbs. Software sold to agents is threatened when airline and travel websites substitute for travel agents.

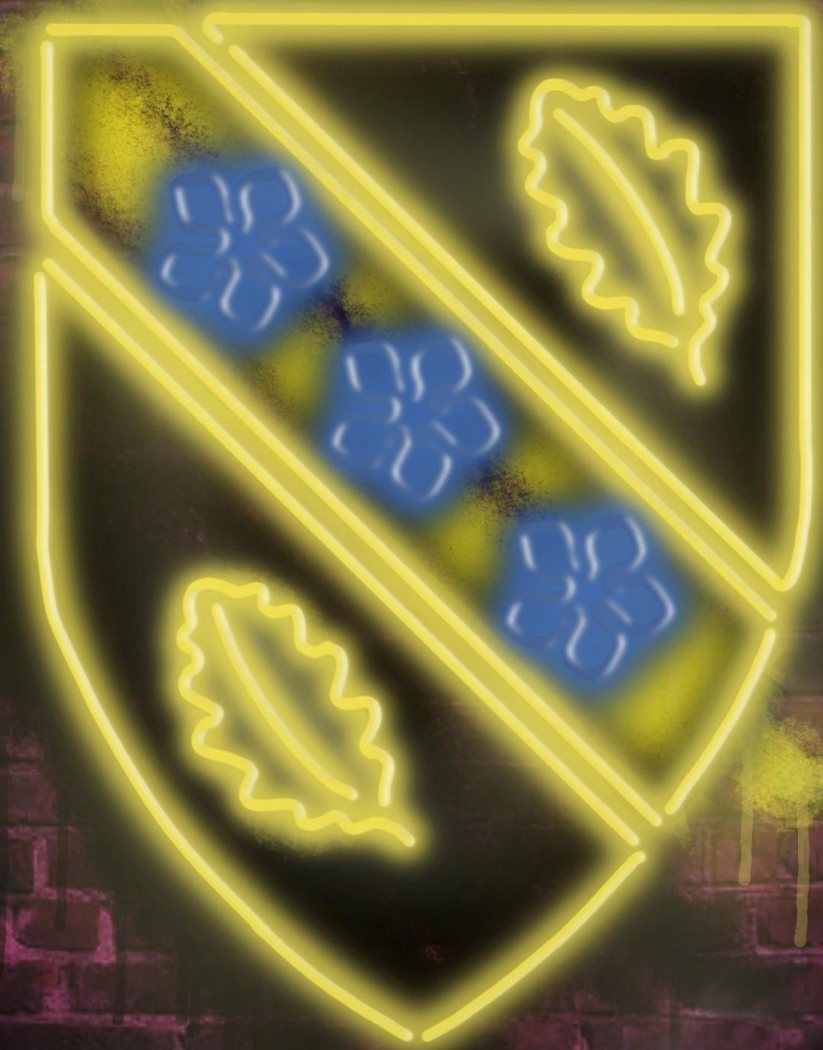
Competitive rivalry – Are your rivals a threat to your entire business or just a portion of your business? Can you better their offering? Can you create more value to your customers if you can cooperate with your competitors in the marketplace?



RIVALRY AMONG EXISTING COMPETITORS

Rivalry among existing competitors takes many familiar forms, including price discounting, new product introductions, advertising campaigns, and service improvements. High rivalry limits the profitability of an industry.

The degree to which rivalry drives down an industry's profit potential depends, first, on the intensity with which companies compete and, second, on the basis on which they compete.



RIVALRY AMONG EXISTING COMPETITORS

The intensity of rivalry is greatest if:

- Competitors are numerous or are roughly equal in size and power.
- Industry growth is slow.
- Exit barriers are high.
- Rivals are highly committed to the business and have aspirations for leadership

Who or what could be considered a substitute for your business? A high-street book seller, for example, might be concerned about the growing popularity of e-reader devices and online retailers.

