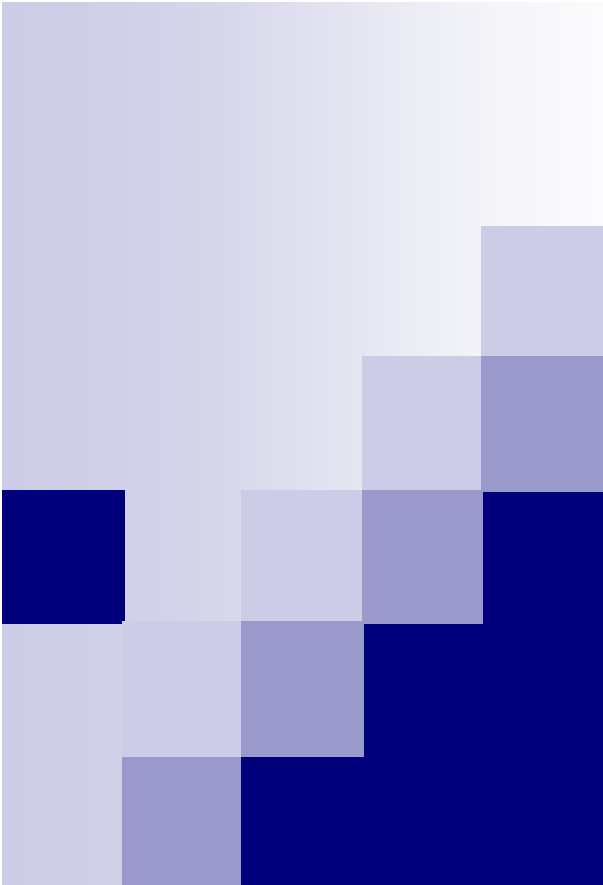




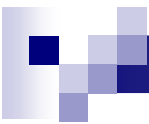
STRATEGIC MANAGEMENT

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The Strategic Management Process

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15 August 2015¹

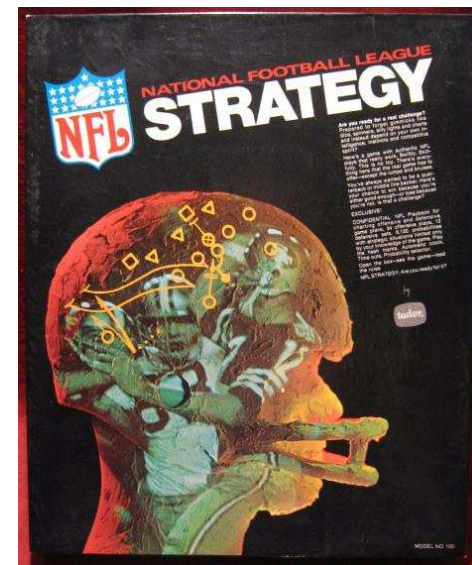


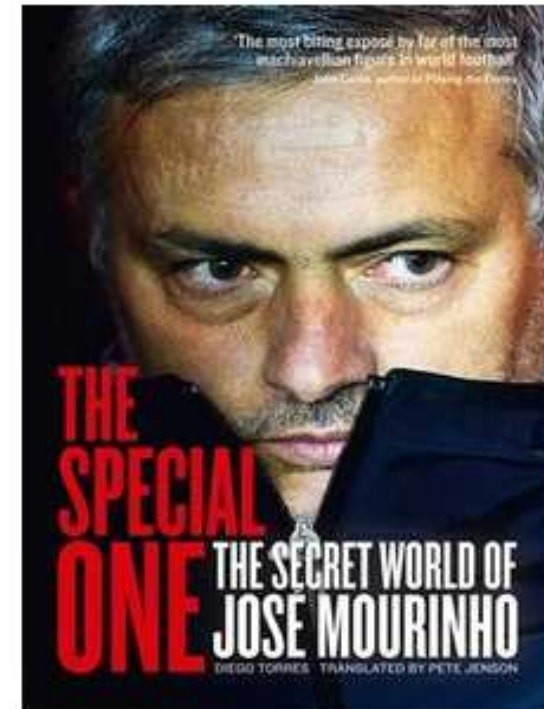
Introduction

- Strategic Management is all about managing the strategies of a company to ensure that it is successful and it incorporates all areas of management and makes the most of decision making.
- **Without Strategy, the organisation is like a ship without a rudder, going round in circles. [Joel Ross & Michael Kami]. *It will drift this way, that way in a directionless manner and thus fail to meet expectations of stakeholders.***
- Strategic management is therefore a whole process by which an organisation establishes its goals, formulates actions designed to achieve these objectives in the desired timeframe and implements those actions and assess progress and results.
- Strategy is management's "action plan" to
 - Attract and satisfy its customers
 - Run its operations
 - Compete successfully against rival firms
 - Achieve organizational objectives and targets

What is strategy?

A strategy is therefore a unified, comprehensive, integrated plan that relates strategic advantages of the firm to the challenges of the environment.





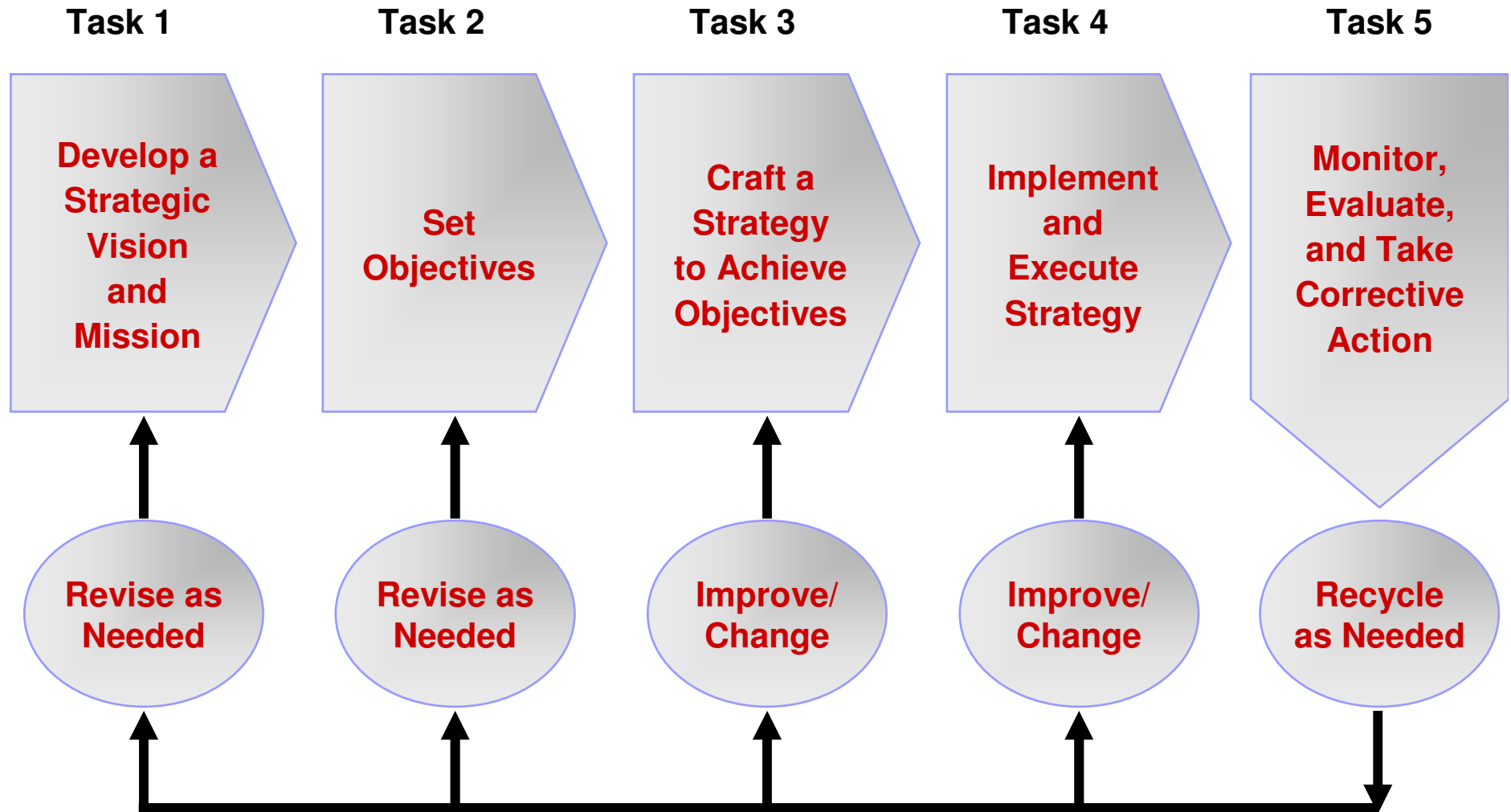
Combative and dictatic, those Managers reveal the traits and strategies used to take their teams to the top and maintain it there.



Who is involved in strategic management?

- Crafting and executing strategy are core management functions.
 - Senior Corporate Executives
 - Managers of Subsidiary Business Units
 - Functional Area Managers
 - Operating Managers

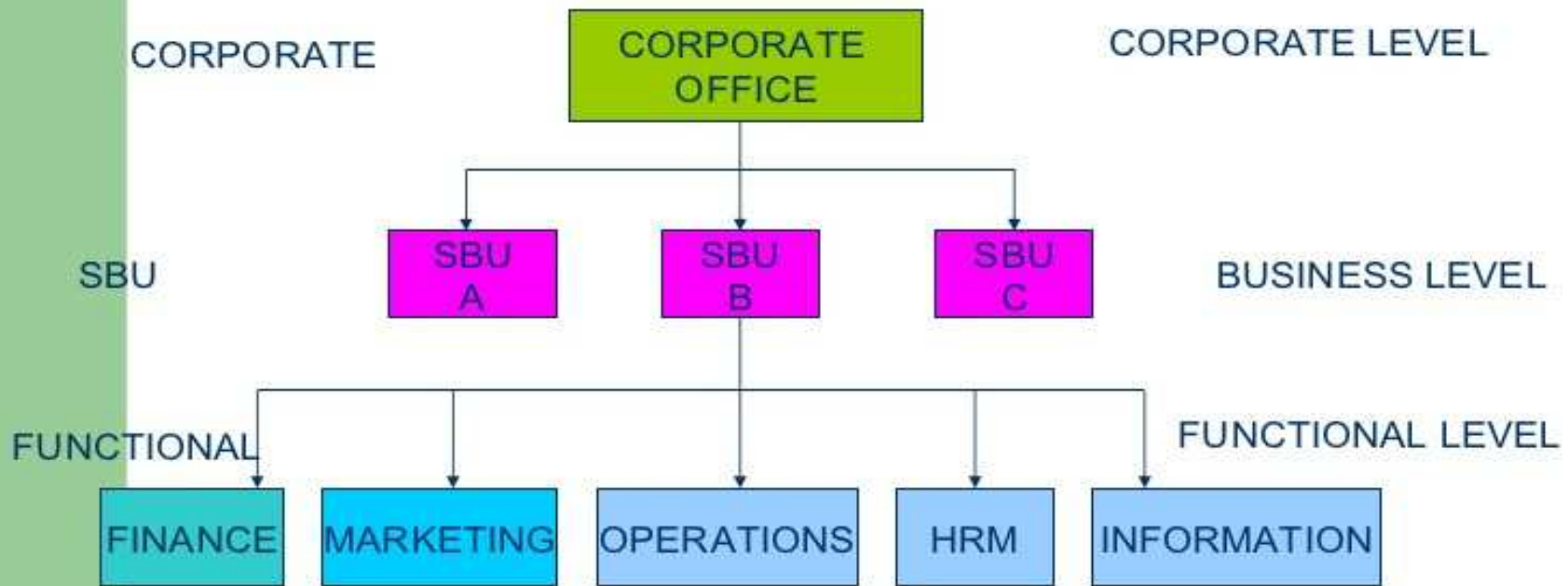
The 5 Tasks of Strategic Management

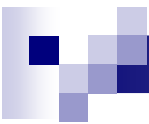


DIFFERENT LEVELS OF STRATEGY

LEVELS OF MANAGEMENT

LEVELS OF STRATEGY





Understanding the strategy hierarchy

1. Corporate strategy

- It is about deciding what businesses the organisation should be in and how the overall group should be managed. It can be defined as 'the overall plan for a diversified company' and it represents the total 'perspective' of the business
- Corporate strategy defines the markets and the businesses in which an organisation chooses to operate. Competitive or business strategy defines the basis on which it will compete.
- Corporate Strategy is concerned with how companies create value across different businesses.



FOOD INDUSTRY

Les Moulins de la Concorde
Livestock Feed
New Maurifoods
Maurilait Production

FARMING

Avipro
Avitech
Agrifarm

COMMERCE

Panagora Marketing
Chantefrais
KFC (Pick N Eat)
Tamam (Amigel)

TRAINING & EDUCATION

Charles Telfair Institute
Newskills

LOGISTICS

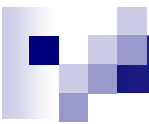
Freight and Transit (FTL)
Agrobulk

BUSINESS SERVICES

M & D Corporate Services
New Edge Solutions
Circus Advertising

HOTELS

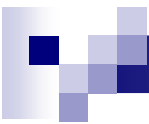
Labourdonnais Waterfront Hotel
Le Suffren Hotel & Marina
The Hennessy Park Hotel
The Address Boutique Hotel
Le Suffren Apart Hotel



Understanding the strategy hierarchy

2. Competitive strategy

- Competitive Strategy is concerned with creating and maintaining a competitive advantage in each and every area of business.
- It provides a clear and defensible edge which distinguishes an organisation from its rivals and it must be looked at from the position of individual products or services or business units.
- Competitive advantage can be achieved from any one or a combination of the functions of the organisation, for example, technology lead, quality management, distribution system, low borrowing costs.
- Competitive strategies are the method by which a company achieves a competitive advantage in the market. There are typically three types of competitive strategies that can be implemented.
- They are cost leadership, differentiation and a focus strategy. [Porter's generic competitive strategies]



Understanding the strategy hierarchy

3. Business strategy

- Business Strategies refers to the aggregated strategies of single business firm or a Strategic Business Unit (SBU) in a diversified corporation.
- An (SBU) is a profit center which focuses on product offering and market segment.
- SBUs typically have a distinct marketing plan, analysis of competition and marketing campaign, even though they may be part of a larger business entity.
- It is a relatively autonomous division of a large company that operates as an independent enterprise with responsibility for a particular range of products or activities: these strategic business units are responsible for their own profit or loss but are answerable to the top management.



Understanding the strategy hierarchy

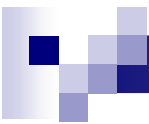
4. Functional strategies

Functional Strategies are designed to inter-relate and contribute to the Organisational whole, and are an important third level. The three levels are linked and inter-dependent.

Whilst changes to the corporate strategy are typically senior management decisions, all managers can influence change at the competitive and functional Levels, hence all managers are strategy makers.

These involve marketing strategy, Human Resource Management Strategy, Financial Strategy, R&D strategy and Information Management Strategy.

It also includes operational strategies which have a more narrow focus and deals with day to day operational issues.

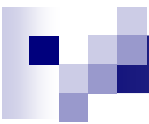


Who are the strategist?

- Strategists are those persons who are most responsible for the success or failure of an organisation.
- They have various titles such as CEO, president, owner, chair of the board, dean, chancellor or entrepreneur, etc (This is not an exhaustive list).

Vision and Mission Statements

- A mission is a general expression of the overall purpose of the organisation, which, ideally, is in line with the values and expectations of major stakeholders and concern the scope and boundaries of the organisation.
- It is also referred to in simple terms but actually challenging question: ‘What business are we in?’
- A vision or strategic intent is the desired future state of the organisation. It is an aspiration around which a strategist, for eg a chief executive, might seek to focus the attention and energies of members of the organisation.



Strategy as an emergent process

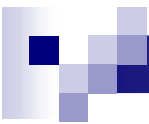
- The planning model discussed earlier suggests that an organisation's Strategic Management strategies are the result of a plan but Henry Mintzberg, a management scientist, discussed on the fact that strategies **are not always** the results of strategic decisions from top level management.
- **Planning under Uncertainty**:- Many strategic planners forget that the future is unpredictable and the only constant in the Real world is change.

Therefore the best laid plans can fall apart because of unforeseen circumstances that may occur. Many organisations rather than try to forecast the future, they attempt to model the company's environment and use the model to predict a series of scenarios.

Ivory Tower planning [to be avoided]

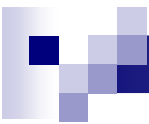
Another common mistake made by strategic planners is to think of strategic planning as a solely top management business. This ivory tower approach can result in strategic plans to be formulated in a closed vacuum by planning executives who have little understanding of operating realities.

For at least the past decade, managers have been preoccupied with **improving operational effectiveness**. Through programs such as TQM, time-based competition, and benchmarking, they have changed how they perform activities in order to eliminate inefficiencies, improve customer satisfaction, and achieve best practice.



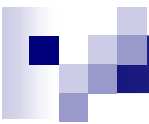
Operational effectiveness is not strategy

- Operational effectiveness and strategy are both essential to superior performance, which, after all, is the primary goal of any enterprise. But they work in very different ways.
- Operational effectiveness (OE) means performing similar activities better than rivals perform them. It refers to any number of practices that allow a company to better utilize its inputs by, for example, reducing defects in products or developing better products faster.
- Some companies are able to get more out of their inputs than others because they eliminate wasted effort, employ more advanced technology, motivate employees better, or have greater insight into managing particular activities or sets of activities.
- Differences in operational effectiveness were at the heart of the Japanese challenge to Western companies in the 1980s. The Japanese were so far ahead of rivals in operational effectiveness that they could offer lower cost and superior quality at the same time.



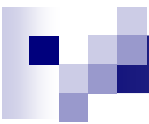
Operational effectiveness is not strategy

- Constant improvement in operational effectiveness is necessary to achieve superior profitability. However, it is not usually sufficient.
- In contrast, strategic positioning means performing different activities from rivals' or performing similar activities in different ways.
- A company can outperform rivals only if it can establish a difference that it can preserve.
- It must deliver greater value to customers or create comparable value at a lower cost, or do both. The arithmetic of superior profitability then follows: delivering greater value allows a company to charge higher average unit prices; greater efficiency results in lower average unit costs.
- Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value.
- VALUE CHAIN



Famous Examples

- **Dell** became really successful by exploring the web as a distribution channel.
- **Gillette** has made a fortune by establishing a continuous relationship with customers based on its disposable razors
- **Apple** resurged based on its core capacity of bringing design to computers and electronic gadgets.
- **Google** tapped in an innovative revenue streams by linking highly specific search results and content with text ads.
- **Wal-Mart** became dominant by its ability to slash cost throughout its business model.
- **IKEA** the global furniture retailer based in Sweden, also has a clear strategic positioning. Ikea targets young furniture buyers who want style at low cost. What turns this marketing concept into a strategic positioning is the tailored set of activities that make it work. Like Southwest, Ikea has chosen to perform activities differently from its rivals [walmart, costco, rooms to go, target, sleepy's etc...]

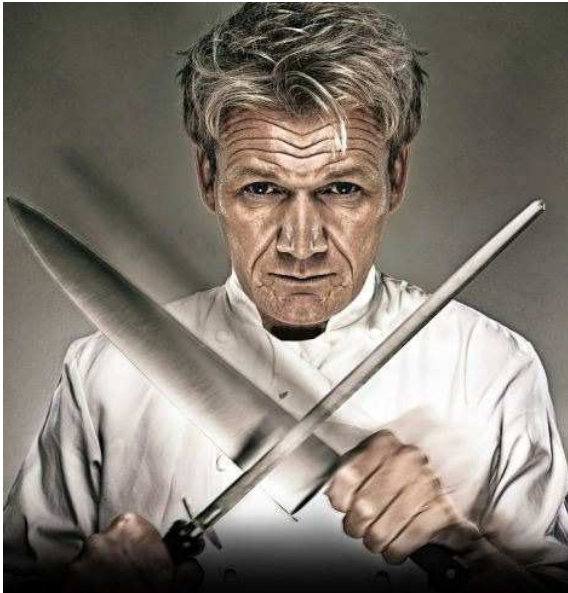


Famous Examples

- Today, almost 120 years later, The Coca-Cola Company is still going strong and is one of the most sought-after stocks on the New York Stock Exchange. Coca-Cola's competitive advantage has proven its sustainability over the last 100 years.
 - The secret recipe for Coca-Cola, which arguably tastes better than other cola drinks.
 - Their ability to continue developing new products and re-inventing old ones – Coca-Cola currently offers over 400 brands in 200 markets worldwide.
 - The world's most comprehensive distribution system has made Coca-Cola accessible to billions of people worldwide. Coca-Cola is often available in ample supply to people in areas where other consumer goods companies would never consider delivering their products. The African continent is an excellent example – it's fairly common to see a small shop selling cold Coke in the middle of nowhere.
 - Coca-Cola's production techniques are so well developed that it costs a fraction of the selling price to manufacture their product, resulting in high profit margins.

Strategy is everywhere – important lessons by Gordon Ramsay

1. *Without exception, poor leadership is at the heart of every business problem.*



- There are no bad boat crews, only bad leaders. We are social animals like bees, ants, wolves and in order to function properly in times of crisis, we need to have a leader. Circumstances will call for leadership with a clear strategy in mind.
- Without it armies cannot function on a battlefield, restaurant kitchens cannot function, businesses cannot properly operate.
- One can pump funding into an organisation, provide new equipment, new marketing, it doesn't matter, 2 months from now, the same problems that existed will be there.
- Things a leader will have to possess
 - Give everything a purpose
 - Articulate vision into strategy
 - Make employees want to give their absolute best
 - Lead by example
 - Choose work over golf
 - Take responsibility for failure
 - Give truth a platform no matter how inconvenient it is
 - Stand for something [inspires loyalty]

Strategy is everywhere – important lessons by Gordon Ramsay



Navy seals training

2. Passion is the fuel of excellence

- Forget motivation, it comes and goes. Sure motivation is needed at regular intervals but if people don't learn to motivate themselves, then motivating people in an organisation becomes a full time job.
- The point being this: If I have to motivate someone to do their job every day, why are they here to begin with?
- If you have passion in what you do, there is no need for someone to motivate you. One has to believe in what he is doing.
- Watch enough Gordon Ramsay shows, and you will start to notice that many restaurateurs in trouble suffer from a certain form of defeatism and apathy.
- If anyone isn't truly passionate, desperately passionate to be there, they will allow themselves to fail or they will ring out.

Strategy is everywhere – important lessons by Gordon Ramsay



3. *Sugar Coating the Truth- strategy for failure*

- When a ship is sinking very minute counts.
- You want the good news or the bad news? The bad news is, your business sucks because of you. The good news is, you can turn it around, but you are going to have to take responsibility
- As a consultant, as a therapist, a coach, an officer, a chef, a food critic, a leader, you don't help anyone by injecting the truth with little white lies.
- You have to be willing to be blunt. If the only way honesty will get someone's attention is to deliver it brutally, then you have to find the courage to be the guy who delivers bad news to the CEO without embellishing or minimizing the bad news.

Strategy is everywhere – important lessons by Gordon Ramsay

4. *Competence is key*

- It isn't enough to be a critic and point out what's wrong with a business. In every field, if you want to assume senior roles, you have to be competent.
- Once you identify the problems and make the brass understand what is wrong with their operation though, you also have to know how to fix them.
- One of the things Gordon Ramsay does in every show is teach restaurants in trouble how to do things they don't know how to do.
- Note that he doesn't leave his "clients" with a strategic brief or a findings report.
- He doesn't just recommend that they revamp their menu or that they improve the quality of their dishes. He gets in the kitchen and teaches their chefs things they need to learn how to do in order to move forward. He shows them stuff that works, stuff he knows will work because he's used it before.





Why do strategies evolve?

- There is always an ongoing need to react to
 - Shifting market conditions
 - Fresh moves of competitors
 - New technologies
 - Evolving customer preferences
 - Political and regulatory changes
 - New windows of opportunity
 - Crisis situation
 - To FIT into the dynamic business environment



Conclusion

- To proactively shape how a company's business will be conducted.
- To mould the independent actions and decisions of managers and employees into a coordinated, company-wide plan.
- Charts the company's direction.

Winning Formula

**Good Strategy + Good Strategy Execution =
Good Management**