

BMBM6024

Strategic Management & Sustainability

Internal Environmental Analysis &
Strategy Implementation



Strategic Management



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Definitions of strategy

... 'the determination of the long-run goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals'

Alfred D. Chandler

'Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value'

Michael Porter

'a firm's theory about how to gain competitive advantages'

Peter Drucker

'a pattern in a stream of decisions'

Henry Mintzberg

'the long-term direction of an organisation'

Exploring Strategy



Reminder...

Strategic decisions are about:

- The **long-term** direction of an organisation
- The **scope** of an organisation's activities
- Gaining **advantage** over competitors
- Addressing changes in the **business environment**
- Buiding on resources and competences (**capability**)
- **Values and expectations** of stakeholders

Therefore they are likely to:

- Be **complex** in nature
- Be made in situations of **uncertainty**
- Affect **operational** decisions
- Require an **integrated** approach (both inside and outside an organisation)
- Involve considerable **change**

“Strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations.”

(Johnson & Scholes (2008))



What are the Key words in the above definition?

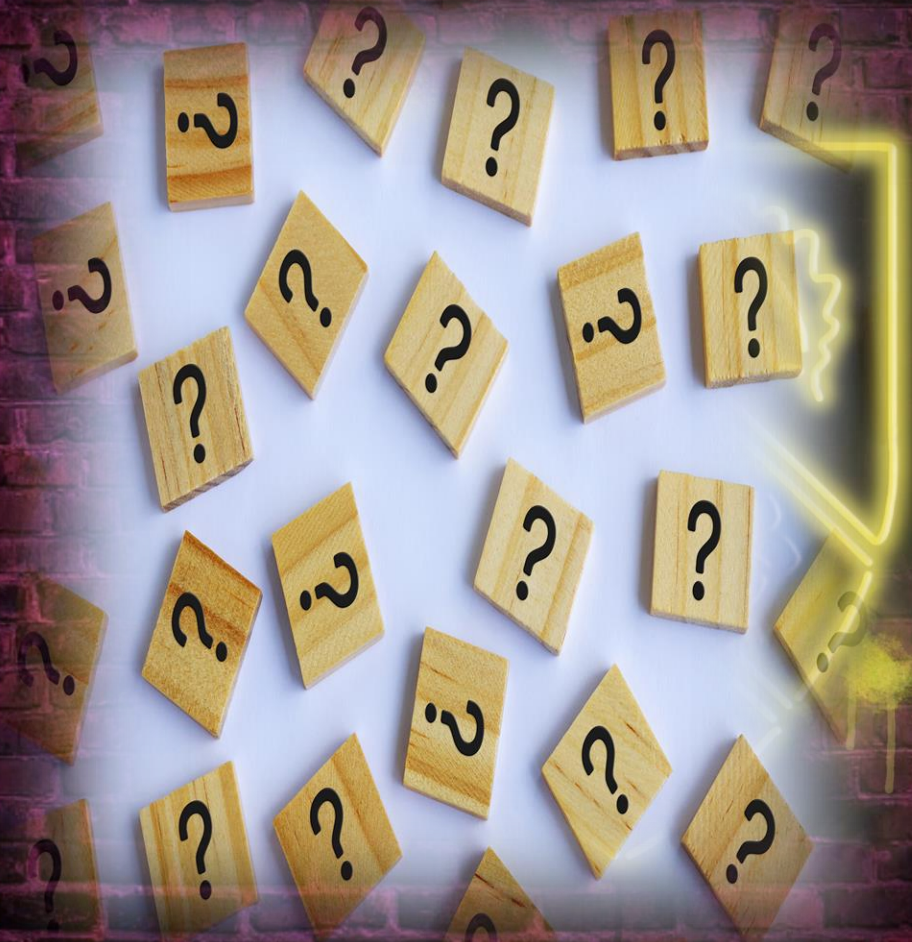
Let's discuss....

What does strategy mean to you and what role does it play within an organisation?

Name some of the organisations/industries which are currently undergoing changes?

What might be the impact of such changes on different areas of the business?

What makes a sustainable organisation?



So...

Strategy is about exploring the key issues for future success of organisations operating in competitive marketplaces and ensuring they have the resources, competences and capabilities for managing and maintaining sustainability

How and why do you think certain organisations have maintained a sustainable competitive advantage within their respective industries?...

Point for discussion...

Why have leading supermarket chains entered the financial industry?



Stakeholders

What is Strategy for?

To define and express the purpose of an organisation to ***stakeholders***.

Stakeholders are those individuals or groups that depend on an organisation to fulfil their own goals and on whom, in turn, the organisation depends.

Remember: Four ways to define an organisation's purpose:

Mission Statement – purpose/differentiation

Vision Statement – future achievement

Statement of Corporate Values – guiding core principles

Statement of Objectives – specific outcomes to achieve



Strategy statements

Strategy statements should have three main themes:

Fundamental **goals** that the organisation seeks, which reflect the stated mission, vision and objectives.

The **scope** or domain of the organisation's activities.

The particular **advantages** or **capabilities** it has to deliver all of these.



Levels of strategy

- 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...



Johnson, Whittington, Scholes, Angwin, Regner (2017)

Levels of strategy

Corporate-level strategy is concerned with the overall scope of an organisation and how value is added to the constituent business units.

Business-level strategy is concerned with the way a business seeks to compete successfully in its particular market.

Functional strategy is concerned with how different parts of the organisation deliver the strategy effectively in terms of managing resources, processes and people.



Levels of strategy

"How do we compete?", "How do we gain (a sustainable) competitive advantage over rivals?"

Corporate-level strategy

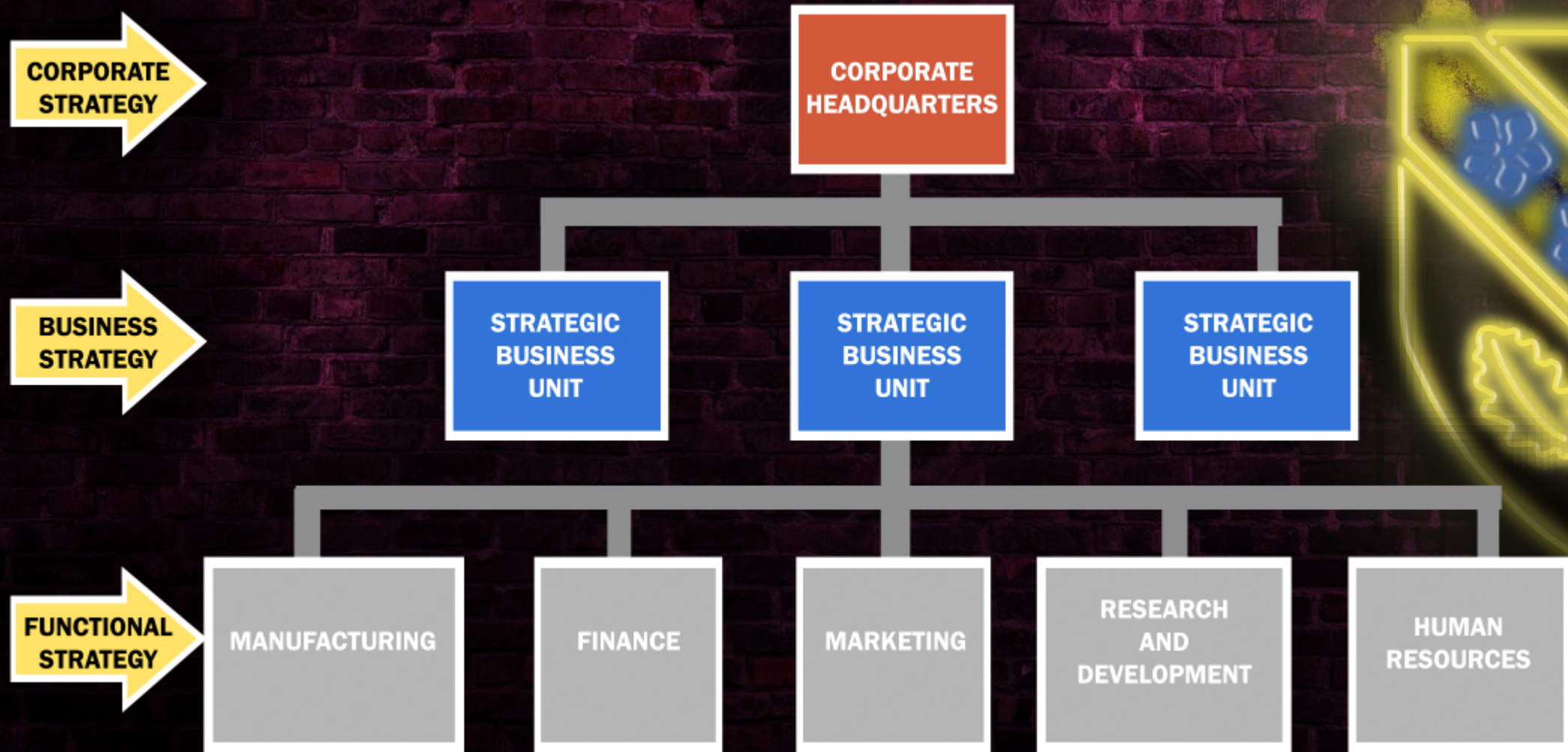
"How do we support the business-level strategy within functional departments, such as Marketing, HR, Production and R&D?"

Business-level strategy

Here management must not only consider how to gain a competitive advantage in each of the line of businesses the firm is operating in, but also which businesses they should be in in the first place!!

Functional strategies

Levels of strategy



Three horizons for strategy

Horizon 1

Current core activities – extend and defend these activities.

Horizon 2

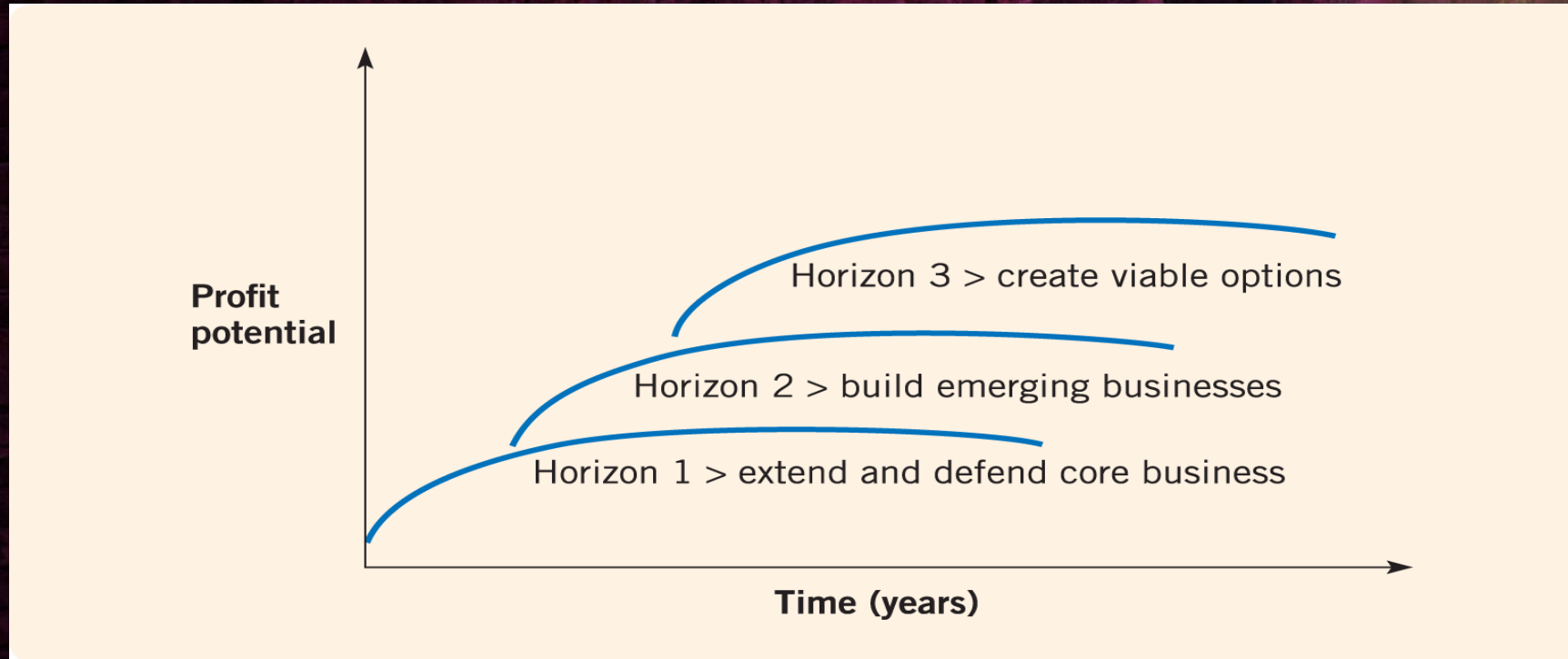
Develop emerging activities – to generate new sources of growth and/or profit.

Horizon 3

Create viable strategic options for the future – higher risk activities that may take years to generate growth/profits.



Three horizons for strategy



Note: 'profit' on the vertical axis can be replaced by non-profit objectives; 'business' can refer to any set of activities; 'time' can refer to a varying number of years.

Source: M. Baghai, S. Coley and D. White, *The Alchemy of Growth*, Texere Publishers, 2000. Figure 1.1, p. 5.

Exploring THE STRATEGY FRAMEWORK



Exploring strategy in different contexts

The ***Exploring Strategy Framework*** can be applied in many contexts.

In each context the balance of strategic issues differs: -

Small businesses (e.g. strategic purpose, growth issues and retaining independence).

Multinational corporations (e.g. geographical scope; cultural issues and structure/control issues).

Public sector organisations (e.g. service/quality and managing change issues).

Not-for-profit organisations (e.g. purpose and funding issues).



Strategic position

The ***strategic position*** is concerned with the impact on strategy of the ***macro-environment, the industry environment***, the organisation's ***strategic capability*** (resources and competences), the organisation's ***stakeholders*** and the organisation's ***culture***.



Johnson, Whittington, Scholes, Angwin, Regner (2017)

Strategic position

Johnson, Whittington, Scholes, Angwin, Regner (2017)



Strategic position

Fundamental questions for Strategic position...

What are the macro-environmental ***opportunities & threats***?

How can the organisation manage ***industry forces***?

How are ***stakeholders*** aligned to the organisational purpose?

What ***resources and capabilities*** support the strategy?

How does ***culture*** fit the strategy?

Johnson, Whittington, Scholes, Angwin, Regner (2017)



Strategic choices

Strategic choices involve the options for strategy in terms of both the ***directions*** in which strategy might move and the ***methods*** by which strategy might be pursued.



Johnson, Whittington, Scholes, Angwin, Regner (2017)

Strategic choices



Johnson, Whittington, Scholes, Angwin, Regner (2017)

Strategic choices

Fundamental questions for Strategic choice...

- How should individual business units **compete**?
- Which businesses to include in the **portfolio**?
- Where should the organisation **compete internationally**?
- Is the organisation **innovating** appropriately?
- Should the organisation **buy** other companies, form **alliances** or **go it alone**?



Strategy in action

Strategy in action is about how strategies are *formed* and how they are *implemented*.

The emphasis is on the practicalities of managing.



Strategy in action



Johnson, Whittington, Scholes, Angwin, Regner (2017)

Strategy in action

Fundamental questions for Strategy in action:

- Which strategies are ***suitable, acceptable and feasible***?
- What kind of ***strategy-making process*** is needed?
- What are the required ***organisation structures and systems***?
- How should the organisation ***manage necessary changes***?
- Who should do what in the strategy process? Which ***people*** and what ***activities***?



THE STRATEGY CHECKLIST

Sixteen fundamental questions in strategy

Strategic position	Strategic choices	Strategy in action
• What are the macro-environmental opportunities and threats? • How can the organisation manage industry forces? • How are stakeholders aligned to the organisational purpose? • What is the basic purpose of the organisation? • How does culture fit the strategy?	• How should business units compete? • Which businesses to include in a portfolio? • Where should the organisation compete internationally? • Is the organisation innovating appropriately? • Should the organisation buy other companies, ally or go it alone?	• Are strategies suitable, acceptable and feasible? • What kind of strategy-making process is needed? • What are the required organisation structures and systems? • How should the organisation manage necessary changes? • Who should do what in the strategy process?

Working with strategy

All managers are concerned with strategy

Top managers frequently formulate and control strategy but may also involve others in the process.

Middle and lower level managers have to meet strategic objectives and deal with constraints.

All managers have to communicate strategy to their teams and can contribute to the formation of strategy through ideas and feedback.



Working with strategy

Organisations may also use strategy specialists

Many large organisations have in-house ***strategic planning or analyst roles***.

Strategy consultants can be engaged from management consulting firms (e.g. Accenture, IBM Consulting, PwC).

There are a growing number of ***specialist strategy consulting firms*** (e.g. McKinsey & Co., The Boston Consulting Group).



Johnson, Whittington, Scholes, Angwin, Regner (2017)

Summary - Reminders

- Strategy is the ***long-term direction*** of an organisation.
- The work of strategy is to define and express the purpose of an organisation through its ***mission, vision, values*** and ***objectives***.
- Ideally a ***strategy statement*** should include an organisation's ***goals, scope*** of activities and the ***advantages*** or ***capabilities*** it brings to these goals and activities.
- ***Corporate-level strategy*** is concerned with an organisation's overall scope; ***business-level strategy*** is concerned with how to compete; and ***functional strategy*** is concerned with how corporate- and business-level strategies are actually delivered.



Summary - Reminders

The ***Exploring Strategy Framework*** has three major elements: understanding the ***strategic position***, making ***strategic choices*** for the future and managing ***strategy in action***.

Strategy work is done by ***managers*** throughout an organisation, as well as specialist ***strategic planners*** and ***strategy consultants***.

Research on strategy ***context***, ***content*** and ***process*** shows how the analytical perspectives of economics, sociology and psychology can all provide practical insights for approaching strategy issues.



Strategic Management Process



(Johnson & Scholes)



Strategy's three branches

Context
(internal and external)

Research:

Macro-environmental
Industry analysis
Cultural analysis
Resource-based
view

Content
(strategic options)

Research:

Choice
and
performance

Process
(formation and implementation)

Research:

Strategic planning
Choice and change
Strategy-as-practice

