

Part 1 Introduction

Chapter 1 Strategic management

What is Strategic Management?

What is strategic management?

- Recent research proposes the following definition of strategy:
- “The field of strategic management deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments.”

Nag *et al* (2007) *Strategic Management Journal*, p 944

See Lynch, Chapter 1 for more definitions

What is strategic management?

- Strategic management is fundamentally about the broad general direction of organisations
- Both for private companies and for public sector organisations
- “The field of strategic management deals with the major intended and emergent **initiatives taken by general managers** on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments.”

Nag *et al* (2007) *Strategic Management Journal*, p 944

What is strategic management?

- ‘Ownership’ goes beyond shareholders to other *stakeholders* in the organisation, such as employees and the general public
- “The field of strategic management deals with the major intended and emergent initiatives taken by general managers on behalf of **owners**, involving utilization of resources, to enhance the performance of firms in their external environments.”

Nag *et al* (2007) *Strategic Management Journal*, p 944

See Lynch, Chapter 1 and Chapter 6 for more on stakeholders

What is strategic management?

- Organisations deliver strategies through using their resources - such as people, finance, brands and factories
- Organisations can also develop new resources
- “The field of strategic management deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving **utilization of resources**, to enhance the performance of firms in their external environments.”

Nag *et al* (2007) *Strategic Management Journal*, p 944

See Lynch, Chapter 4 for more on strategic resources

What is strategic management?

- The end product of strategic management must to improve performance
- But how do we measure this? Profits? Job satisfaction? Share price? Support for 'green' issues?
- Key measure: the organisation must *add value*
- “The field of strategic management deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to **enhance the performance of firms** in their external environments.”

Nag *et al* (2007) *Strategic Management Journal*, p 944

What is strategic management?

- Organisations develop their strategies in the context of the market place – the external environment
- ‘Environment’ means *everything* outside the organisation, for example government policies, ‘green’ issues, competitive strategies and customers
- “The field of strategic management deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their **external environments**.”

Nag *et al* (2007) *Strategic Management Journal*, p 944

See Lynch, Chapter 3 for more on strategic environment

What is strategic management?

But both the environment and the organisation are constantly changing:
called *strategy dynamics*

Opportunity:

growing
economy

Environment

Threat:

competitive
activity

Environment

Opportunity:

new
customers

Environment

Environment

Threat: new

technology allows
new suppliers into
the market



See Lynch, Chapter 5 for more on strategy dynamics

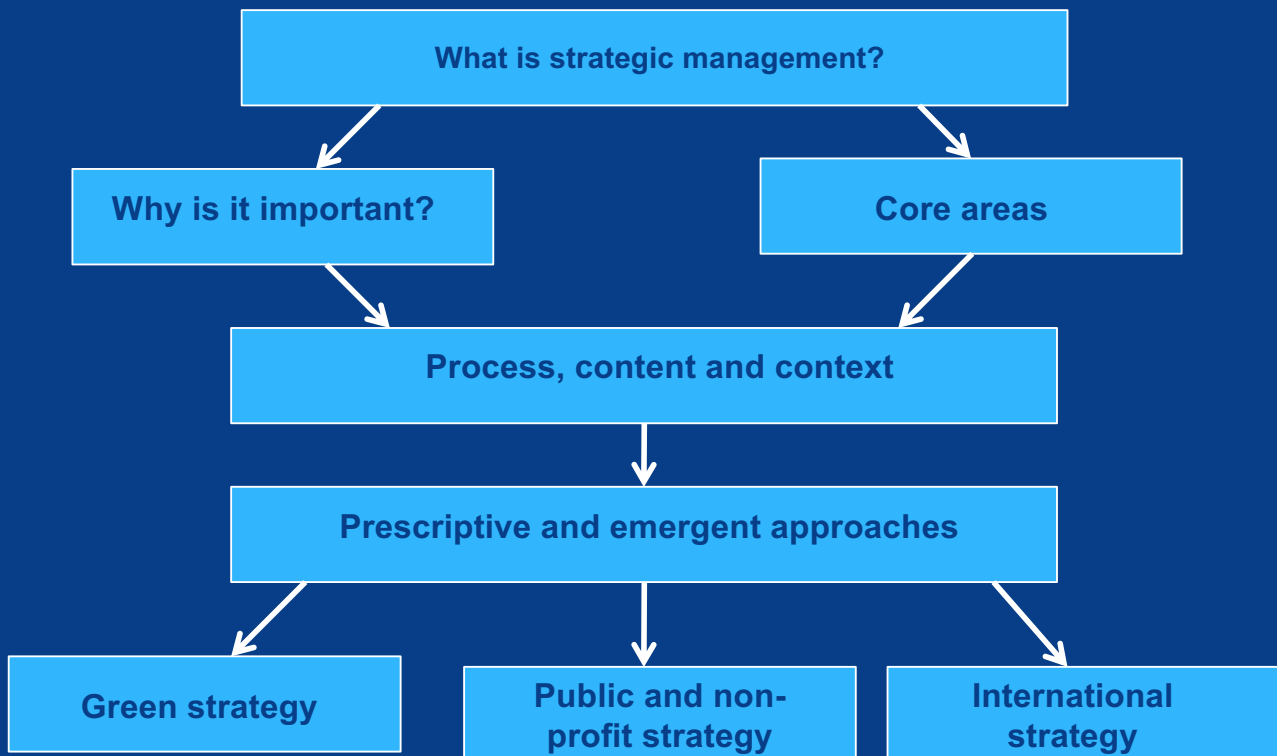
Figure 1.4 Examples of how strategic management links the organisation's resources with its environment

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What is Strategic Management?

Some additional overheads

Analysing strategic management



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Why is strategic management important?-1

Because it deals with the fundamental issues that affect the future of the organisation

- Strategic management...
 - involves the entire organisation
 - is likely to concern itself with the *survival* of the organisation as a minimum objective
 - and the creation of *value added* as a maximum objective

Why is strategic management important?-2

- Strategic management covers the range and depth of the organisation's activities...
- ...it directs the changing and evolving relationships of the organisation with its environment

Two vital areas:

- Strategic management is central to the development of *sustainable competitive advantage* in the organisation...
- ...and is crucial to *value added*

Three core areas of strategic management

- Strategic analysis
 - Environment
 - Resources
 - Vision, mission and objectives
- Strategic development
 - Options
 - Rational selection between options
 - Finding the strategic route forward
- Strategy implementation
 - Resource allocation
 - Strategic planning and control
 - People issues and strategic change

Three elements of the strategic decision

- *Context*: the environment within which the strategy is operating
- *Content*: the main actions of the proposed strategy
- *Process*: how the strategy will be developed and achieved

What is strategic management? - 1

- No universally agreed definition
- Example of a prescriptive definition: “Strategic management is the pattern of major objectives or goals and essential policies for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be.”

What is strategic management? -2

- Another emergent definition:
- “The strategy of the firm is the match between its internal capabilities and its external relationships. It describes how it responds to its suppliers, its customers, its competitors and the social and economic environment within which it operates.”

What is strategic management? - 3

- Strategy is developed by a consideration of the resources of the organisation in relation to its environment, the prime purpose being to add value.
- Five key elements to strategy:
 - Sustainable decisions: what?
 - Processes to deliver strategy: how?
 - Competitive advantage: why?
 - Exploitation of linkages between the organisation and its environment: where?
 - Vision: when? With what result?

What is strategic management? - 4

At the **corporate** level:

- What business are we in? What business should we be in?
- What are our basic directions for the future?
- What is our culture and leadership style?
- What is our attitude to strategic change? What should it be?

“What is the *purpose* of the organisation? And what are our *strategies* to achieve this?”

At the **business** level:

- How do we compete successfully? What is our sustainable competitive advantage?
- How can we innovate?
- Who are our customers?
- What value do we add? Where? Why? How?

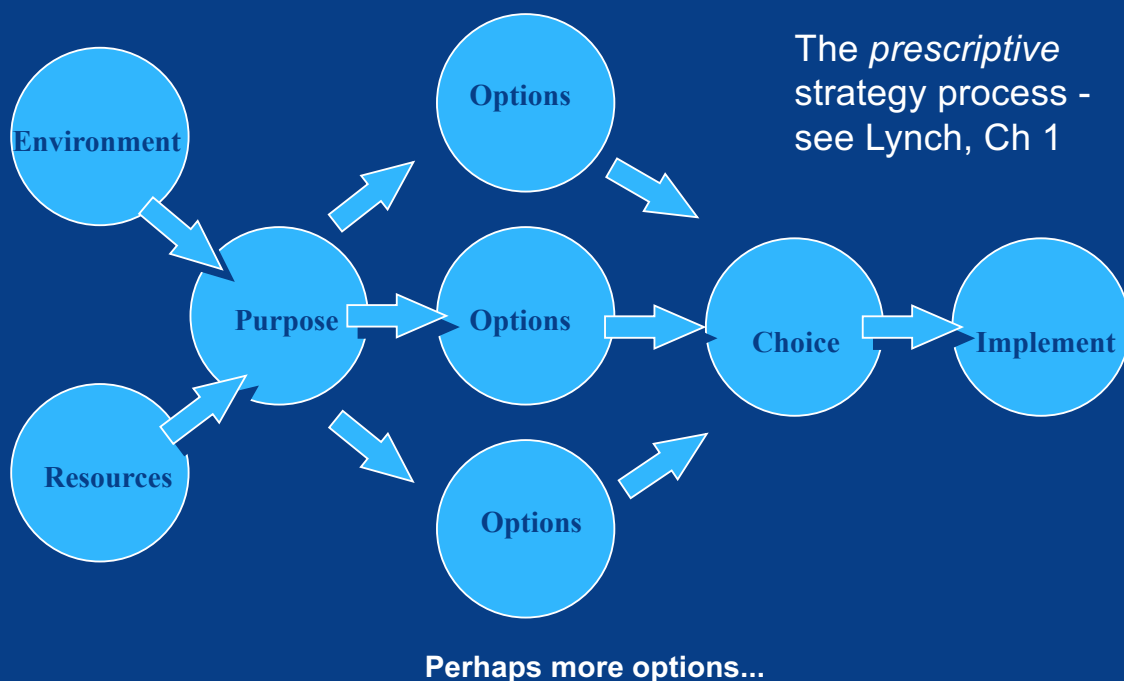
What makes “good” strategy? - 1

- Important because of:
 - Lack of agreement on the nature of strategy
 - Difficulties in developing strategy
- Two main test areas for strategy:
 - Application-related
 - Academic rigour

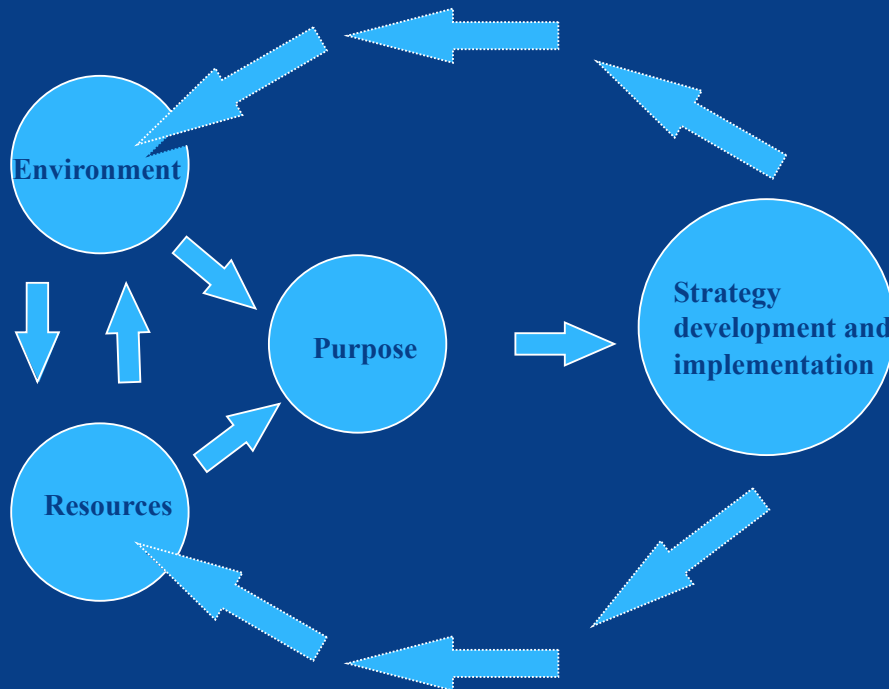
What makes “good” strategy? - 2

- Application-related:
 - Value added test
 - Consistency with circumstances surrounding business
 - Competitive advantage test
- Academic rigour:
 - Originality
 - Delivery of defined purpose
 - Logical consistency
 - Relationship with risks and resources
 - Flexibility

Prescriptive model of business strategy



Emergent model of business strategy



The emergent strategy process – based on Quinn 1990, Senge 1990, Argyris 1977, Mintzberg 1987 and others

Key point: creative, experimental, more difficult to describe but *essential*

See: Lynch, Chapters 7 and 11

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What is green strategy and where does it fit in?

- *Green strategy* concerns two related areas of the organisation:
 - Activities that sustain the earth's environment
 - Development of the opportunities that will arise as a result of such sustainable activities
- *Fit within organisation:* everywhere