

Strategic Management



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Introduction

Strategic management:

- the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives.

Introduction

The strategic-management process

- consists of three stages: strategy formulation, strategy implementation, and strategy evaluation

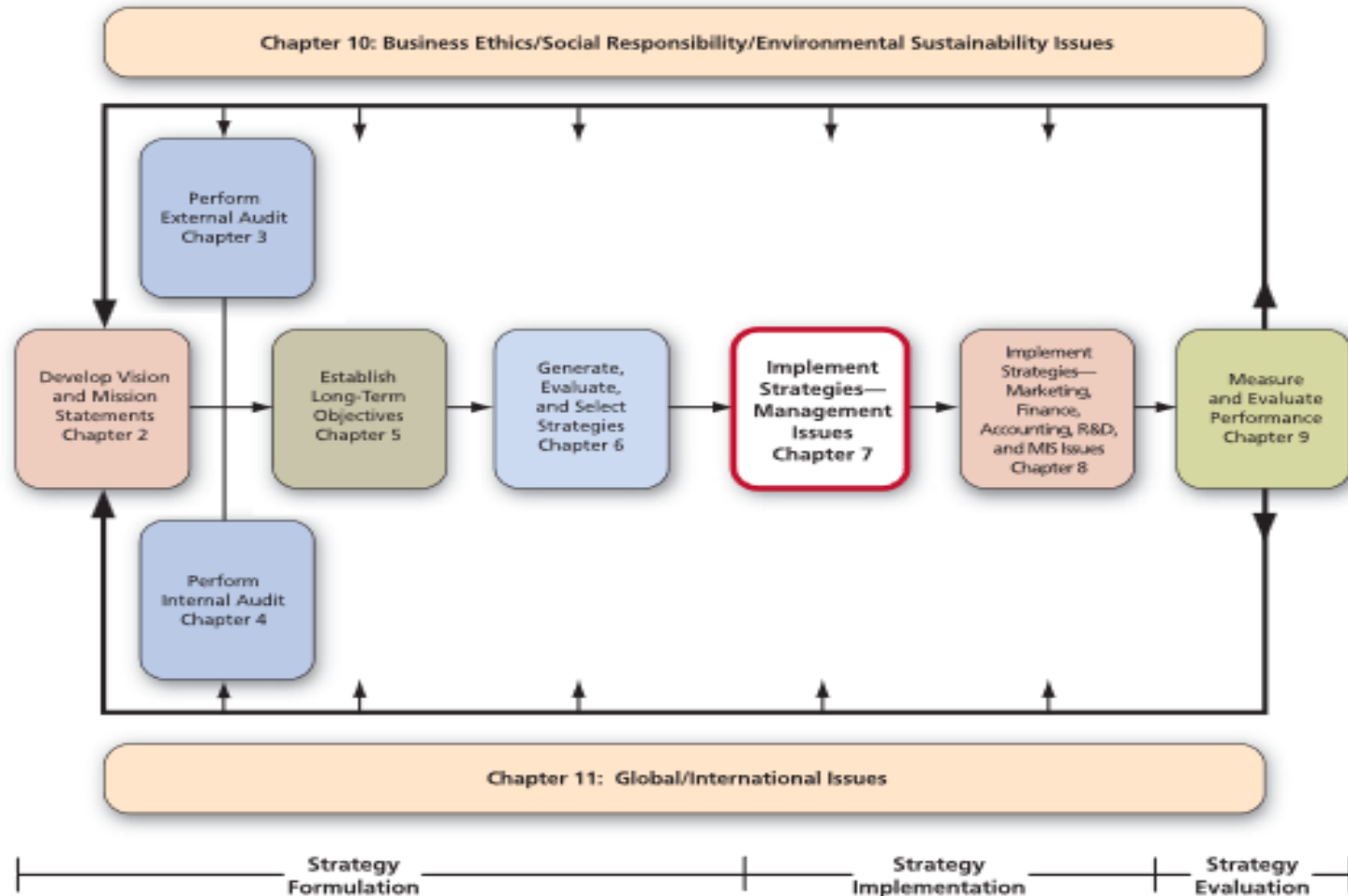
Key Terms in Strategic Management

Nine key terms:

- competitive advantage,
- strategists,
- vision and mission statements,
- external opportunities and threats,
- internal strengths and weaknesses,
- long-term objectives,
- strategies,
- annual objectives, and
- policies.

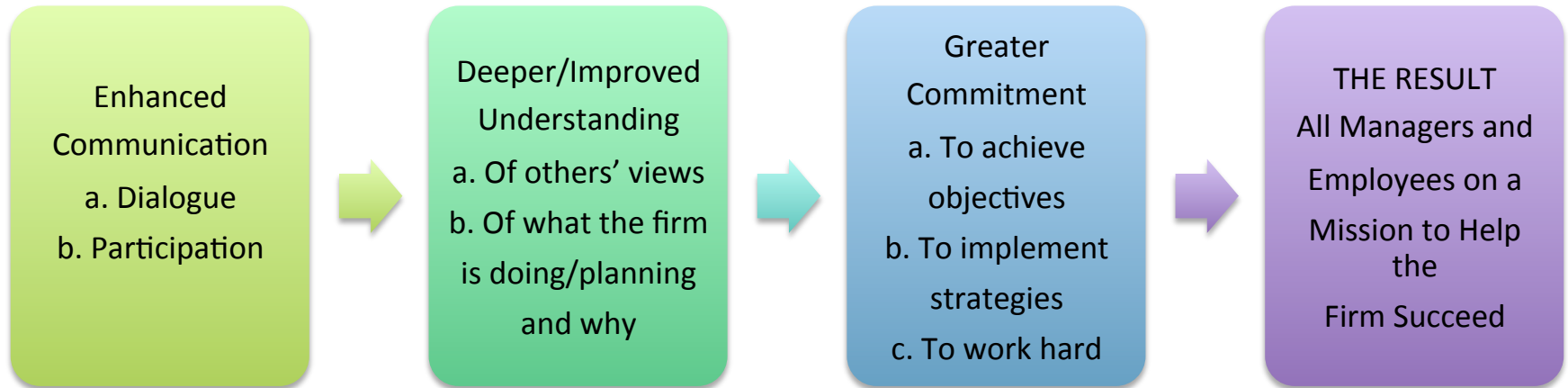
The Strategic-Management Model

Comprehensive Strategic-Management Model



Benefits of Strategic Management

Strategic management allows an organization to be more proactive than reactive in shaping its own future; it allows an organization to initiate and influence (rather than just respond to) activities—and thus to exert control over its own destiny.



Benefits to a Firm That Does Strategic Planning

Seventeen Guidelines for the Strategic-Planning Process to Be Effective

1. It should be a people process more than a paper process.
2. It should be a learning process for all managers and employees.
3. It should be words supported by numbers rather than numbers supported by words.
4. It should be simple and nonroutine.
5. It should vary assignments, team memberships, meeting formats, and even the planning calendar.
6. It should challenge the assumptions underlying the current corporate strategy.
7. It should welcome bad news.
8. It should welcome open-mindedness and a spirit of inquiry and learning.
9. It should not be a bureaucratic mechanism.
10. It should not become ritualistic, stilted, or orchestrated.
11. It should not be too formal, predictable, or rigid.
12. It should not contain jargon or arcane planning language.
13. It should not be a formal system for control.
14. It should not disregard qualitative information.
15. It should not be controlled by “technicians.”
16. Do not pursue too many strategies at once.
17. Continually strengthen the “good ethics is good business” policy.

The Business Vision and Mission

"The very essence of leadership is that you have to have vision. You can't blow an uncertain trumpet."

—Theodore Hesburgh

"A strategist's job is to see the company not as it is . . . but as it can become."

—John W. Teets, Chairman of Greyhound, Inc.

What Do We Want to Become? – a vision

- A vision statement should answer the basic question, “What do we want to become?”
- A clear vision provides the foundation for developing a comprehensive mission statement.
- Many organizations have both a vision and mission statement, but the vision statement should be established first and foremost.
- The vision statement should be short, preferably one sentence, and as many managers as possible should have input into developing the statement.

Examples

- PepsiCo's responsibility is to continually improve all aspects of the world in which we operate—environment, social, economic—creating a better tomorrow than today.

(comment: Statement is too vague; it should reveal beverage and food business)

- Dell's vision is to create a company culture where environmental excellence is second nature.

(comment: Statement is too vague; it should reveal computer business in some manner; the word environmental is generally used to refer to natural environment so is unclear in its use here)

- General Motors' vision is to be the world leader in transportation products and related services.

(comment: Good statement)

What Is Our Business? – a mission

- Peter Drucker (the mid-1970s): asking the question “What is our business?” is synonymous with asking the question “What is our mission?”
- An enduring statement of purpose that distinguishes one organization from other similar enterprises, the mission statement is a declaration of an organization’s “reason for being.”
- A clear mission statement is essential for effectively establishing objectives and formulating strategies.

Example

- Dell's mission is to be the most successful computer company (2) in the world (3) at delivering the best customer experience in markets we serve (1). In doing so, Dell will meet customer expectations of highest quality; leading technology (4); competitive pricing; individual and company accountability (6); best-in-class service and support (7); flexible customization capability (7); superior corporate citizenship (8); financial stability (5).
- **(Author comment: Statement lacks only one component: Concern for Employees)**

Characteristics of a mission statement

- A Declaration of Attitude

First, a good mission statement allows for the generation and consideration of a range of feasible alternative objectives and strategies without unduly stifling management creativity.

Excess specificity would limit the potential of creative growth for the organization.

Second, a mission statement needs to be broad to reconcile differences effectively among, and appeal to, an organization's diverse stakeholders, the individuals and groups of individuals who have a special stake or claim on the company.

Thus a mission statement should be reconciliatory. Stakeholders include employees, managers, stockholders, boards of directors, customers, suppliers, distributors, creditors, governments (local, state, federal, and foreign), unions, competitors, environmental groups, and the general public.

Characteristics of a mission statement

- A Customer Orientation

A good mission statement describes an organization's purpose, customers, products or services, markets, philosophy, and basic technology.

According to Vern McGinnis, a mission statement should

- (1) define what the organization is and what the organization aspires to be,
- (2) be limited enough to exclude some ventures and broad enough to allow for creative growth,
- (3) distinguish a given organization from all others,
- (4) serve as a framework for evaluating both current and prospective activities, and
- (5) be stated in terms sufficiently clear to be widely understood throughout the organization.