Strategic Management Process:
An Introduction

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Motto of today:

‘Accept failure, but focus on recovery’

IBM 2006
Module outline

Outline

• Why strategic management?
• Tasks of strategic management
  • Strategy formulation
  • Strategy implementation
  • Strategy evaluation
• Strategic management is an ongoing process
• Who performs the tasks of strategy
• Benefits of managing strategically
• Terms to remember
The „skeleton” of a plan

- Making a position paper (the current situation)
  - Environmental and economic circumstances
  - Capital
    - Fixed assets
    - Current assets
  - Human resources
- Conceptual (preliminary) plan
- Technological (production, service) planning
- Financial plan, making balance sheet, cash-flow plan

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Variability of business environment

<table>
<thead>
<tr>
<th>Level of variability, character</th>
<th>1900 stable</th>
<th>1930 reactive starting from the past</th>
<th>1950 anticipative starting from the future</th>
<th>1970 explorer</th>
<th>2000-creative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aquaintenance of occurrence</td>
<td>The occurrence is unidentified</td>
<td>Occurrence can be identified from the past experience</td>
<td>Occurrents are unexpected but based on past experience forecasting can be calculated</td>
<td>Occurrents are incalculable, novel and unexpectable</td>
<td></td>
</tr>
<tr>
<td>The speed of change</td>
<td>Slower than the reaction time of a company</td>
<td>Close to the reaction time of a company</td>
<td>The changes are faster than reaction time of a company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forecast of the future</td>
<td>Easy because the occurrence is periodic</td>
<td>The future can be forecasted by extrapolation from the past.</td>
<td>The future can be forecasted but consists of threats and opportunities as well</td>
<td>The future can partly be forecasted. Extremely hard to plan because of the obscurity</td>
<td></td>
</tr>
</tbody>
</table>

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DE-AVK
Motto

"A The future is a moving target. The good plan help for faithful hint.

IBM, 1999.
Strategic vs. Common management

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**Non Routin type**
- Ambiguous
- Complexity
- Cover all the business activities

- Fundamental change
- Lead by environment or expectations

**Routin type**
- Running business, part of the business

- Non radical change
- Lead by resources
Strategy is the *direction* and *scope* of an organisation over the *long term*: ideally, which matches its *resources* to its changing *environment*, and particular its *markets*, *consumers* or clients so as to meet *stakeholder* expectations.
Defining strategic management, planning

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

**STRATEGIC PLANNING**
The strategic planning referring only to strategy formulation.
Thinking strategically: 3 big questions

• Where are we now?
• Where do we want to go?
  • Business positions management wants to stake out
  • Financial outcomes to achieve
  • Strategic outcomes achieve
• How will we get there?
  - Future oriented
  - Finding breakpoint
  - Preparing in present

Try to optimize for tomorrow the trends of today!
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Tasks of strategic management

Outline

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First stage of the strategic management

Outline

• Why strategic management?
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Develop Vision and Mission Statements

Establish long term objectives

Generate, evaluate, and select strategies

Strategy formulation

(Strategic planning)
Outline

- Why strategic management?
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Strategy formulation

- Developing vision and mission
- Identifying external opportunities and threats
- Determining internal strengths and weaknesses

- Establishing long term objectives

- Generating alternative strategies
- Choosing particular strategies to pursue
- Deciding what new business to enter
  - How to allocate resources
  - Expand or diversify operations
  - Entering or not international market
  - Merge or form joint venture
  - How to avoid a hostile takeover
The second stage of the strategic management

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Implement strategies-management issues

Implement strategies-marketing, finance, accounting, R&D and MIS issues
Strategy implementation, „Action stage” of management

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- Establish annual objectives
- Devise policies
- Motivate employees
- Allocate resources
- Developing strategy-supportive culture
- Creating organizational structure
- Redirecting marketing efforts
- Preparing budgets
- Developing information system

This stage is more an art than science!
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The third stage of the strategic management

Measure and evaluate performance

Strategy Evaluation
All strategies are subject to future modification because external and internal factors are constantly changing!

- Reviewing external and internal factors
- Measuring performance
- Taking corrective actions
Why strategic management is differ?

Outline
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Integrating intuition and analysis
• Intuition is essential to making good strategic decisions (great uncertainty or/and little precedent)

„I believe in intuition and inspiration. At times I feel certain that I am right while not knowing the reason. Imagination is more important than knowledge, because knowledge is limited, whereas imagination embraces the entire world.”

Albert Einstein
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Why strategic management is differ?

ADAPTING TO CHANGE

• Organizations should continually monitor internal and external events and trends so that timely changes.

The rate of magnitude of changes that effort organization are increasing dramatically.

• e-commerce
• Laser surgery
• Mobile communication
• The war of terrorism
• Global worming
• GMO
• The aging population, etc.
Who performs the task of strategy?

• Chief executive officer & other senior corporate level executives
• Managers of subsidiary business units
• Functional area managers within a subsidiary business unit
• Managers of major operating departments & geographic units
The role of strategic planners

• Collect information needed by strategy managers
• Conduct background analysis as needed
• Coordinate review & approval process of strategic plans
• Assist all managers to focus on strategic issues

WARNING!

Planners should not make strategic decision or do strategic thinking for line managers
Why planners should not be strategy makers?

- Planners know less about situation, placing them in weaker position than line managers to device workable action plan

- Separates responsibility & accountability for strategy-making from implementing

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**Strategy-making is NOT a proper task for strategic planners!**
Strategic roles of a Board of Directors

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• Benefits of managing strategically

• See that strategic management tasks are performed adequately

• Review important strategic moves & officially approve strategic plans

• Ensure strategic proposals are adequately analyzed superior to alternatives

• Evaluate caliber of top management’s strategy-making & implementing skills
Strategic management principle

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A board of director’s in the strategic management process is to critically apprise and ultimately approve strategic action plans, but RARELY, if ever, to participate directly in the details of strategy planning!
Benefits of managing strategically

- Guides entire firm regarding „what is we are trying to do & to achieve”
- Lowers management threshold to change
- Provides basis for evaluating competing budget request & steering resources to strategy supportive, results-producing areas
- Unites numerous strategy-related decisions of managers at all organizational level
- Creates a PROACTIVE, rather than reactive, atmosphere
Terms to remember

STRATEGIC VISION

A view of an organization’s future direction and business course; a guiding for what the organization is trying to do and to become.

What do we want to become?
Terms to remember

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STRATEGIC MISSION

Represents management customized answer to the question “what is our business and what will it be.” A mission statement broadly outlines the organization’s future direction and serves as a guiding concept for what the organization is to do and to become.

What is our business?
Terms to remember

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PERFORMANCE OBJECTIVES
Organization’s target for achievement; both short and long range objectives are needed.

FINANCIAL OBJECTIVES
Financial performance targets a company wants to achieve.

STRATEGIC OBJECTIVES
 Targets relating to strengthening a company’s overall market position and competitive viability.
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LONG-RANGE OBJECTIVES

Achievement levels to be reached within the next three to five years.

SHORT-RANGE OBJECTIVES

Near-term performance target; they establish the pace for achieving the long-range objectives.
Strategy is the *direction* and *scope* of an organisation over the *long term*: ideally, which matches its *resources* to its changing *environment*, and particular its *markets, consumers* or clients so as to meet *stakeholder* expectations.

Strategy is how of pursuing an organization’s mission and reaching target objectives.
Terms to remember

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**STRATEGIC PLAN**

Statement outlining an organization’s mission and future direction, near-term and long term performance targets, and strategy, in light of organization’s external and internal situation.
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STRATEGY FORMULATION

Refers to the entire-direction setting management function—conceptualizing an organization’s mission setting specific performance objectives, and forming a strategy. The end product of strategy formulation is a strategic plan.
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STRATEGY IMPLEMENTATION AND EVALUATION

Includes the full range of managerial activities associated with putting the chosen strategy into place, supervising its pursuit, and achieving the target results.
Tasks of strategic management

Outline

- Strategy formulation
- Develop vision
- Develop mission
- Why mission statement
- External assessment
- Internal assessment
- Establish long term objectives

Strategy formulation

Strategy Implementation

Strategy Evaluation
Strategy formulation

Outline
- Strategy formulation
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Business mission

ANALYSIS

Internal analysis

External analysis

Establishing long term objectives
First stage of the strategic management

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(STRATEGIC PLANNING)
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Strategy formulation

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Developing vision and mission
Terms to remember

STRATEGIC VISION

A view of an organization’s future direction and business course; a guiding for what the organization is trying to do and to become.

What do we want to become?
Henkel is want to be a leader with brands and technologies that make people's lives easier, better and more beautiful.

We will provide knowledge and take action to ensure the national security of the United States and the preservation of American life and ideals.

What do we want to become?
Vision

To be the leading food company in knowledge, consumer relations and revenues among companies headquartered in the region of Southeast, Central and Eastern Europe, as well as a pharmaceutical company which achieves more through a distinctive partnership approach.

What do we want to become?
Terms to remember

**STRATEGIC MISSION**

A mission statement broadly outlines the organization’s future direction and serves as a guiding concept for what the organization is to do and to become. Overriding premise in line with the values or expectations of stakeholders.

*What is our business?*
The mission

Outline

• Strategy formulation
• Develop vision
  • Develop mission
• Why mission statement
• External assessment
• Internal assessment
• Establish long term objectives

What is our business?
The mission

We are the eyes and ears of the nation and at times its hidden hand.

To create high-quality branded products that acquire the trust of clients and consumers.

To pioneer the future in space exploration, scientific discovery and aeronautics research.

What is our business?
Throughout each day in my life I strive to be loyal to my friends and family, lead a successful career that I will enjoy, stay healthy, and take on any challenges that come my way.

I value my family members, friends, spiritual fulfillment, sense of accomplishment, and respect for others.
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THANK YOU FOR YOUR ATTENTION!