



Lecture 1

Strategic Management I (P13410)

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Office hours: Wednesdays 2-4pm or by appointment





Today's Overview

- Introductions
 - me, you, and etc.
- Module Outline
 - what to expect, textbook, seminars, etc.
- Lecture 1
 - Strategic management and strategic competitiveness (Chapter 1)



Introductions

- me and your other Tutors

- Oliver Laasch, Ernest Southworth, and Michal Lemanski
- Thomas Birtch, PhD (Cantab), MBA (MIT)
Affiliations with NUBS, CAM, MIT, CUHK, and others
Background in industry and government
Consulted and worked in over 30 countries
Serial entrepreneur

- you





Module Outline

- what to expect

11 Lectures (face paced, interactive)

2 Seminars (case study presentations)

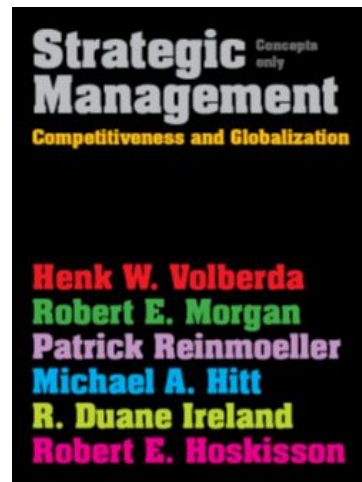
90 minute exam (100%)



Module Outline (cont'd)

- textbook

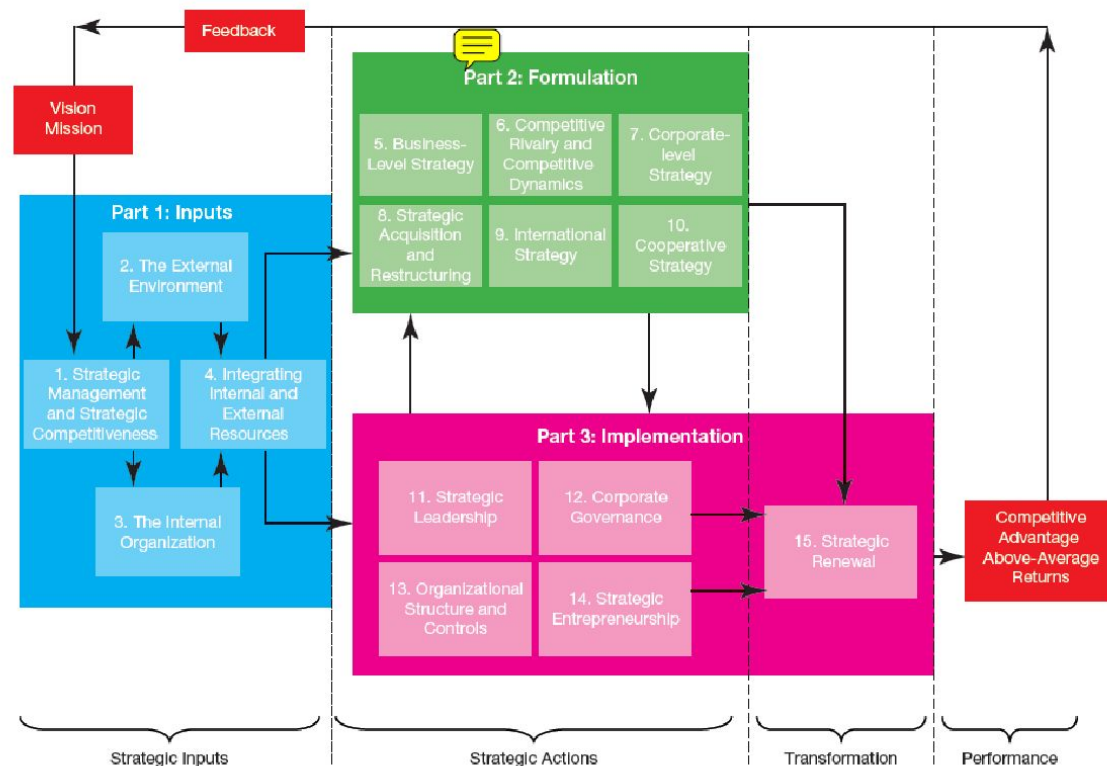
15 Chapters (focus on key concepts, theories, and frameworks and their application)



Module Outline (cont'd)

- textbook structure

FIGURE 1.1 The strategic management process





Module Outline (cont'd)

- Seminars

- a chance to apply, re-inforce, and expand learning

- **Presentations**

- should be of a quality that could be delivered to C-suite level executives
- in groups of about 5-6 students
- max. 10 powerpoint slides (copies to be submitted to tutor)



Lecture 1

STRATEGIC MANAGEMENT AND STRATEGIC COMPETITIVENESS





LEARNING OBJECTIVES

Studying this chapter should provide you with the strategic management knowledge needed to:

1. Define strategic competitiveness, strategy, competitive advantage, above-average returns, and the strategic management process.
2. Describe the competitive landscape and explain how globalization and technological changes shape it.
3. Describe vision and mission and discuss their usefulness.
4. Define stakeholders and describe their ability to influence organizations.
5. Describe the work of strategic leaders.
6. Explain the strategic management process.
7. Use the industrial organization (I/O) and resource-based models to explain how firms can earn above-average returns.

Definitions

- **Strategic Competitiveness:** is achieved when a firm successfully formulates and implements a value-creating strategy.
- **Strategy:** is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage.
- **Competitive Advantage:** a firm has a competitive advantage when it implements a strategy competitors are unable to duplicate or find too costly to imitate.
- **Above-average returns:** are returns in excess of what an investor expects to earn from other investments with a similar amount of risk.



g., Apple vs. Xiaomi, Samsung vs. TCL, Lenovo vs. IBM



The Creative Life



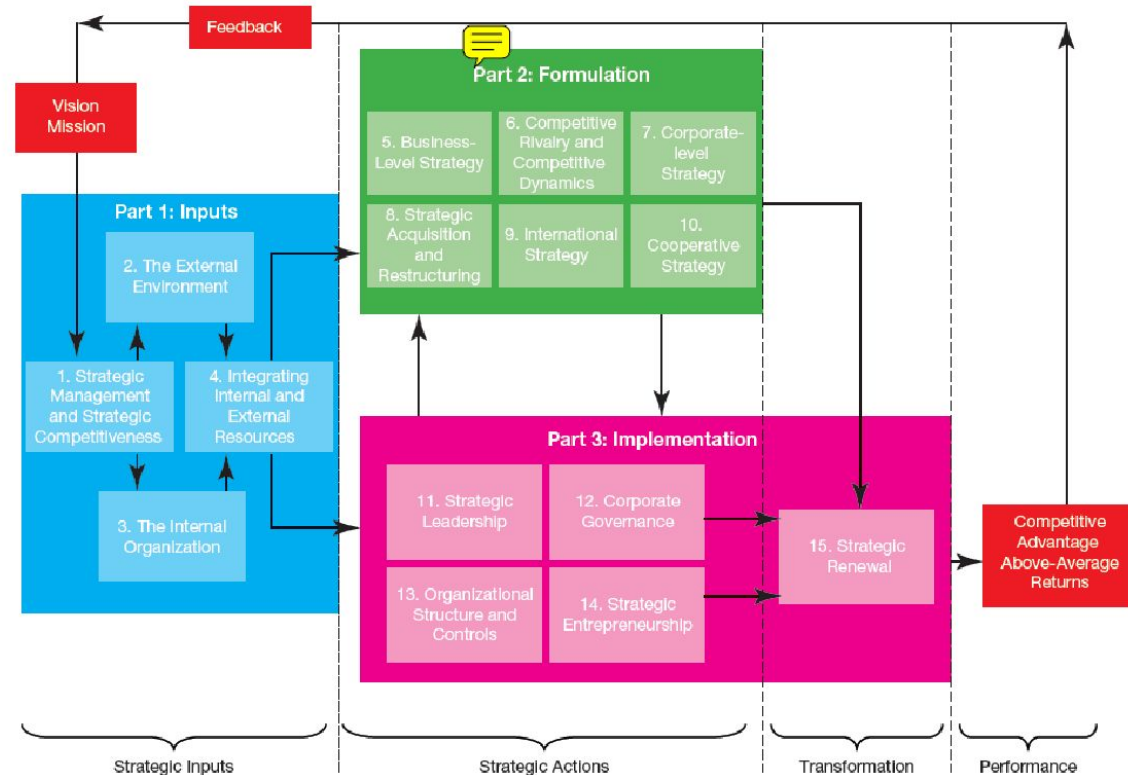


The Strategic Management Process

- A rational approach to achieve strategic competitiveness and earn above-average returns
- Analysis of external environment and internal organisation to identify opportunities and threats in the marketplace
- Deciding how to use resources, capabilities, core competencies, and competitive advantage to pursue opportunities and overcome threats from external environment by cooperative strategies
- Strategy implementation will require entrepreneurship and renewal – a **dynamic** process
- All strategic processes will have “ethical” dimensions

The Strategic Management Process (cont'd)

FIGURE 1.1 The strategic management process





The competitive landscape

- Scarce financial capital and volatile markets
- Partnerships blur boundaries
- Conventional sources of competitive advantage no longer effective
- Managers need flexible mindset
- Increasing government interference in markets
- Hypercompetition – inherent market instability driven by global economy and rapid technological change



The global economy

- Free movement across borders
 - World's largest single market is Europe
 - Emergence and rapid predicted growth of BRIC economies
 - The march of globalisation – increasing economic interdependence and growing opportunities across country borders
 - Higher performance standards
 - Global market risks – acquiring local market knowledge, over-diversification
- 



Technology & technological changes

- Technology diffusion and perpetual innovation
- Rapid response to competition
- Disruptive technologies creating new industries and overturning old markets
- The information age – global proliferation of computing power and its linkage through the Internet
- Increasing knowledge intensity – survival in hypercompetition means acquiring, integrating, and applying knowledge for competitive advantage
- Strategic flexibility required to respond to risk and uncertainty
- Continuous learning



Vision and Mission

- **Vision:** the ideal for the organisation and its future direction (vision statements aimed at hearts & minds; should be clearly tied to external environment and internal organisation of firm)
- **Mission:** concrete view of the firm's business, its customers, and how it will serve them (flows from vision & should provide direction for strategic action)
- **A vision statement versus a mission statement.** Mission statements are present-based statements designed to convey a sense of why the company exists to both members of the company and the external community. Vision statements are future-based and are meant to inspire and give direction to the employees of the company, rather than to customers. A mission statement answers the question, "*Why* does my business exist?" while a vision statement answers the question, "*Where* do I see my business going?"

Vision Statements

- A carefully crafted vision statement can help communicate company's goals to employees and management in a single sentence. Examples,
 - American Express: “To be the world's most respected service brand”
 - Caterpillar: “To be the global leader in customer value”
 - Ford: “To become the world's leading Consumer Company for automotive products and services.”
 - Kraft: “Helping People Around the World Eat and Live Better ...”





Vision Statements

- **Purpose:**
 - Serve as foundation for a broader [strategic plan](#)
 - Motivate existing/attract potential employees by clearly categorising goals
 - Focus company efforts on strategic opportunities and building competencies that advance the company's vision
 - Help companies differentiate from competitors.

Mission Statements

- A precise description of what an organization does (i.e., describing the business the organization is in and why the organization exists currently). Examples,



- **FedEx:** “will produce superior financial returns for its shareowners by providing high value-added logistics, transportation and related business services through focused operating companies. Customer requirements will be met in the highest quality manner appropriate to each market segment served. FedEx will strive to develop mutually rewarding relationships with its employees, partners and suppliers. Safety will be the first consideration in all operations. Corporate activities will be conducted to the highest ethical and professional standards.”

Mission Statements (cont'd)



- **Wal-Mart:** “To give ordinary folk the chance to buy the same thing as rich people.”



- **Westin Hotels and Resorts:** “In order to realize our Vision, our Mission must be to exceed the expectations of our customers, whom we define as guests, partners, and fellow employees.(mission) We will accomplish this by committing to our shared values and by achieving the highest levels of customer satisfaction, with extraordinary emphasis on the creation of value. (strategy) In this way we will ensure that our profit, quality and growth goals are met.”



Mission Statements (cont'd)

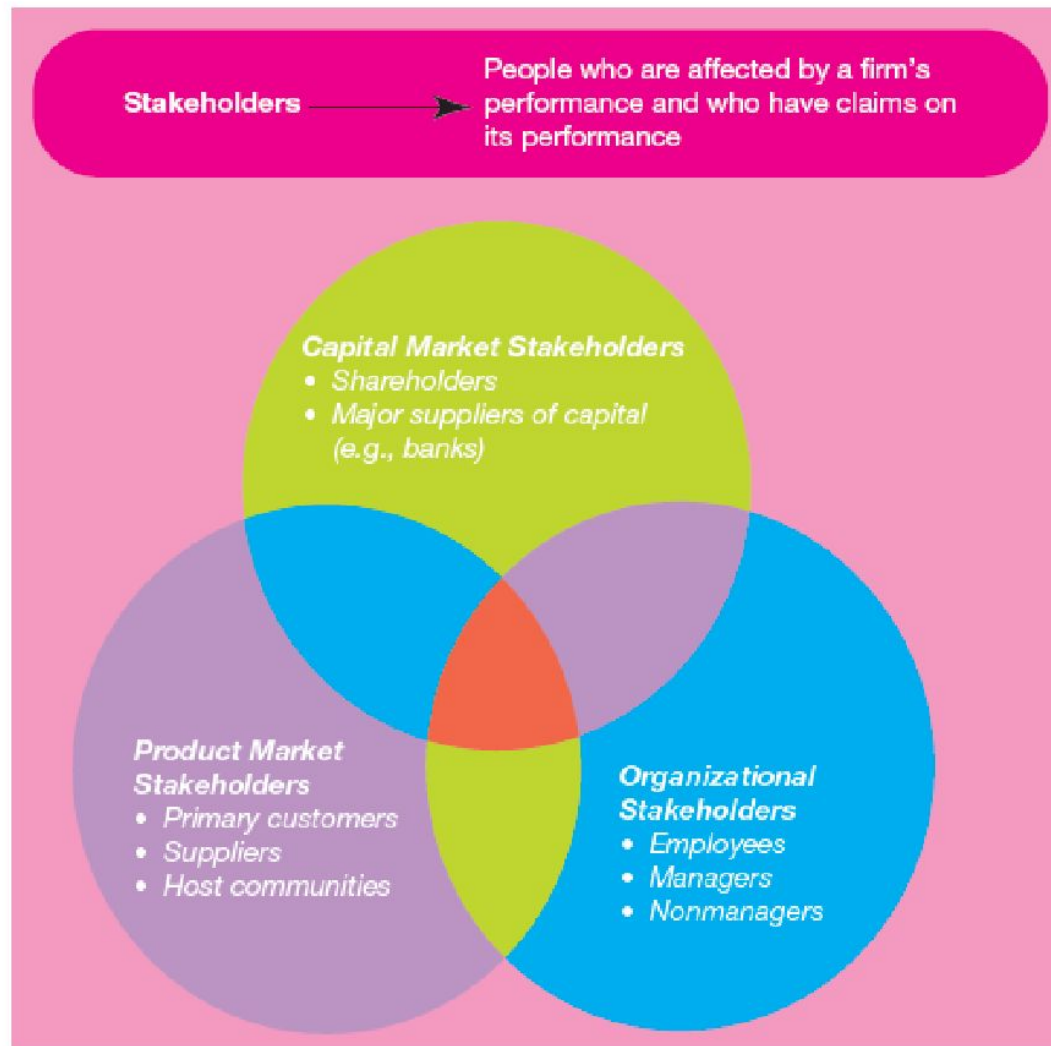
- **Purpose:**
 - To concisely describe the overall purpose of the organization
 - Considers the organisation's products, services, markets, values, concern for public image, and priorities for survival
 - Changes to reflect new strategies
 - Enables management and employees to infer some order of priorities in how products and services are delivered
 - Clearly separates the mission of the organisation from other organisations.



Stakeholders

- Stakeholders are individuals and groups who can affect and/or are affected by the vision and mission.
- Stakeholder relationships must be managed for competitive advantage
- Classifications of stakeholders:
 - Capital market stakeholders
 - Product market stakeholders
 - Organisational stakeholders
 - Societal stakeholders
- Stakeholders' objectives can conflict, so they must be managed and prioritised


FIGURE 1.4 The three stakeholder groups






Strategic leaders

- May be anywhere in the firm
- Will be decisive, committed to nurturing those around them, and helping the firm “create value” for stakeholder groups
- Strategic leadership will be influenced by, and will itself influence, organisational culture.



The work of “effective” strategic leaders

- Distinguished by honesty, tenacity, and drive to accomplish more through their people
 - Strategic leaders set the ethical tone of the business
 - They provide the vision and make it work
- 



Predicting outcomes of strategic decisions

- The total profits earned in an industry at all points along the value chain
- Understanding these primary sources of **profit** by:
 - Defining boundaries of profit pools
 - Estimating size of pools
 - Estimating size of value chain activity in the pool
 - Reconciling these calculations
- Other strategic outcomes
- Identifying these primary sources enables leaders to select successful strategies



Takeaways

- The goals of strategic management process are strategic competitiveness and above-average returns.
- The current nature of competition is turbulent and chaotic.
- Vision and mission are formed through study of internal and external environments
- Stakeholder analysis and prioritisation is needed to maintain support of key groups
- Strategic leaders enable the firm's mission and vision, can be anywhere in the organisation, and calculate profit pools linking to value chain activities to predict outcomes of strategic decisions.

HOMEWORK



- Read Chapter 1 and 2 of the textbook
- Come to class prepared to discuss/present answers to the following “Apple” case study (handout) questions:
 1. What is Apple’s strategy and competitive advantage? Has it achieved strategic competitiveness?
 2. Describe Apple’s competitive landscape and explain how globalization and technological changes shape it?
 3. Describe Apple’s vision and mission and discuss their usefulness?
 4. Who are Apple’s stakeholders and describe their ability to influence organisations?
 5. What are Apple’s primary sources of profit? Compare these to a competitor such as Xiaomi.

Q&A

- Thank you!