

# *Chapter* **Eight** 8

## **Strategy Formulation & Implementation**

# Thinking Strategically

- To help managers answer questions such as:
- *Where is the organization now?*
- *Where does the organization want to be?*
- *What changes are among competitors?*
- *What courses of action will help us achieve our goals?*
- Answers define an overall direction for the organization's grand strategy

# Strategic Management



Bombardier, Ski Doo's

- Set of decisions and actions used to implement strategies
- Questions to ask:
  - ① What changes and trends are occurring?
  - ② Who are our customers?
  - ③ What products or services should we offer?
  - ④ How can we offer these products or services most efficiently?

# Grand Strategy

- General plan of action to achieve long-term objectives
  1. Growth (*diversification*)
  2. Stability (*sometimes called a “pause strategy”*)
  3. Retrenchment (*ex: downsizing*)
- Through strategic management, executives define an overall direction for the organization, which is the firm’s strategy.

# Global Corporate Strategies



# Global Strategy

- **Globalization**: the standardization of product design and advertising strategies around the world (*Theory : people everywhere want to buy the same products and live the same way. Ex: People everywhere want to drink Coca-Cola and wear Levi's jeans*).
- **Multi-domestic**: the modification of product and promotion for each country (*a multinational company is present in many countries, but it encourages marketing, advertising & product design to be modified and adapted to the specific needs of each country*).
- **Transnational**: seeks to achieve both global integration and national responsiveness (*a true transnational strategy is difficult to achieve*)

# Purpose of Strategy

- The plan of action that prescribes resource allocation & other activities that help the organization attain its goals

## Strategies focus on:

- Core competence (*something the organization does especially well in comparison to its competitors*)
- Develop synergy (*occurs when organizational parts interact to produce a joint effect that is greater than the sum of the parts acting alone. Can also be obtained by good relations between suppliers & customers & by strong alliances among companies*)
- Create value for customers (*combination of benefits received and costs paid by the customer. Managers need to understand which parts of the company's operation create value and which do not – a company can be profitable only when the value it creates is greater than the cost of resources*)

# Three Levels of Strategy in Organizations

**Corporate-Level Strategy:** What business are we in?

Corporation

**Business-Level Strategy:** How do we compete?

Textiles Unit

Chemicals Unit

Auto Parts Unit

**Functional-Level Strategy:**

How do we support the business-level strategy?

Finance

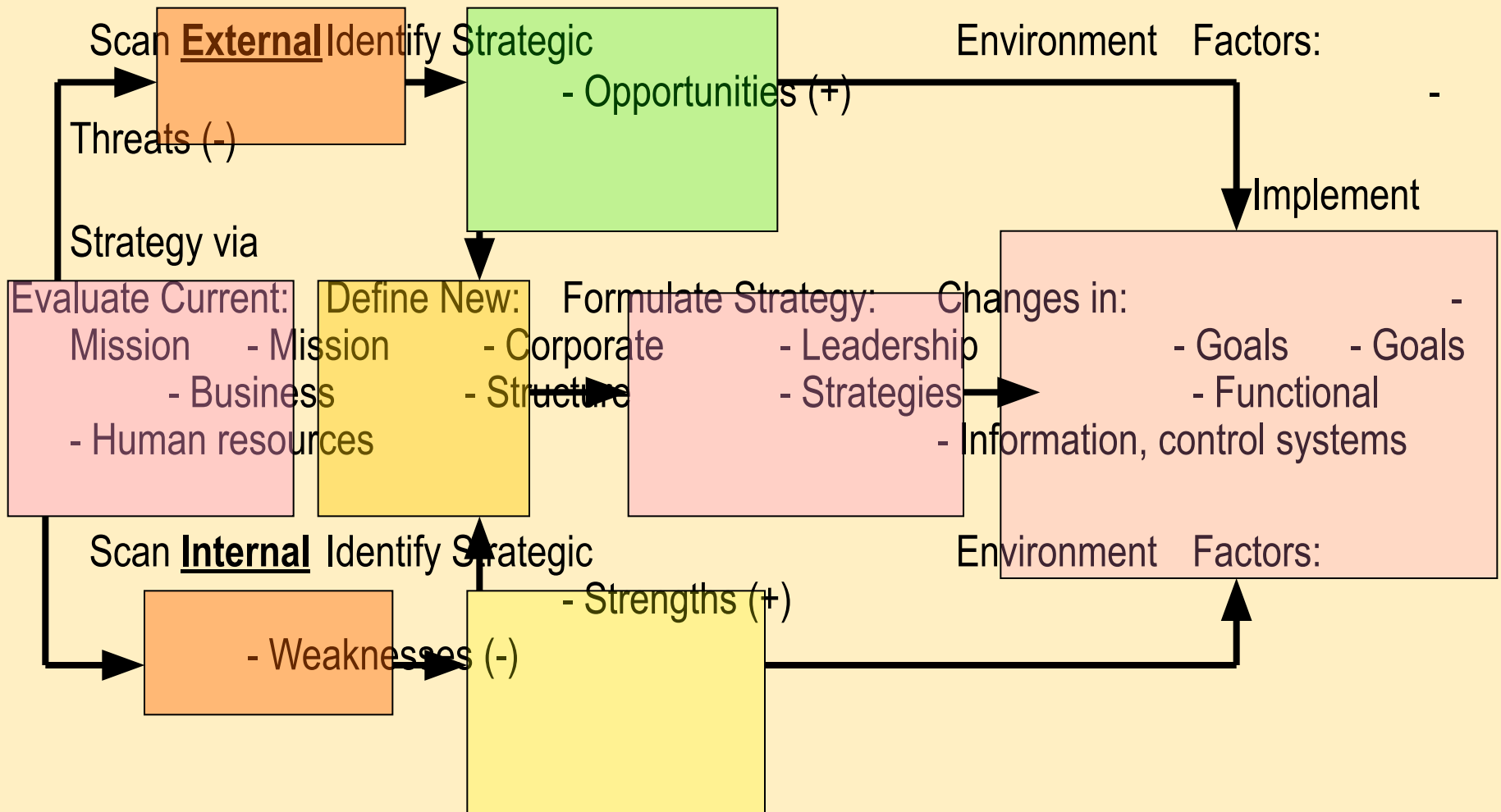
R&D

Manufacturing

Marketing



# The Strategic Management Process



# *Situation (SWOT) analysis*

- ***Strengths*** (int.env.) -----  
+ -----
- ***Weaknesses***(int.env.)-----  
- -----
- ***Opportunities***(ext.env.)-----  
+ -----
- ***Threats*** (ext.env.)  
-----  
- -----

# Checklist for Analyzing Organizational Strengths and Weaknesses

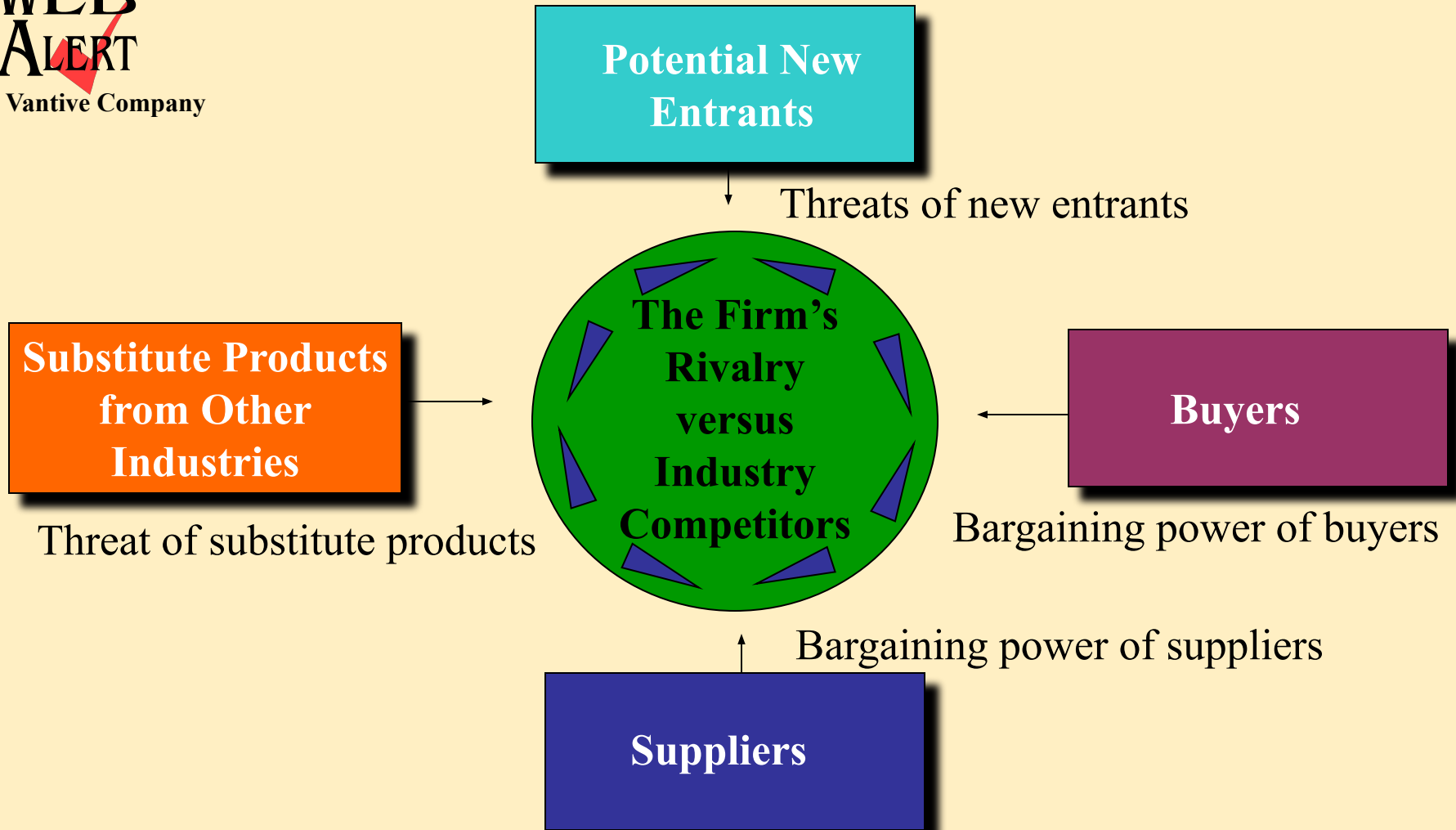
<b>Management and Organization</b>	<b>Marketing</b>	<b>Human Resources</b>
Management quality	Distribution channels	Employee experience, education
Degree of centralization	Market share	Union status
Organization charts	Advertising efficiency	Turnover, absenteeism
Planning, information, control systems	Customer satisfaction	Work satisfaction
	Product quality	Grievances
	Service reputation	
	Sales force turnover	
<b>Finance</b>	<b>Production</b>	<b>Research and Development</b>
Profit margin	Plant location	Basic applied research
Debt-equity ratio	Machinery obsolescence	Laboratory capabilities
Inventory ratio	Purchasing system	Research programs
Return on investment	Quality control	New-product innovations
Credit rating	Productivity/efficiency	Technology innovations

**Sources:** Based on Howard H. Stevenson, "Defining Corporate Strengths and Weaknesses," Sloan Management Review 17 (spring 1976), 51-68; and M.L.Kastens, Long-Range Planning for Your Business (New York: American Management Association, 1976).

# The Five Forces Affecting Industry Competition

**WEB  
ALERT**

The Vantive Company



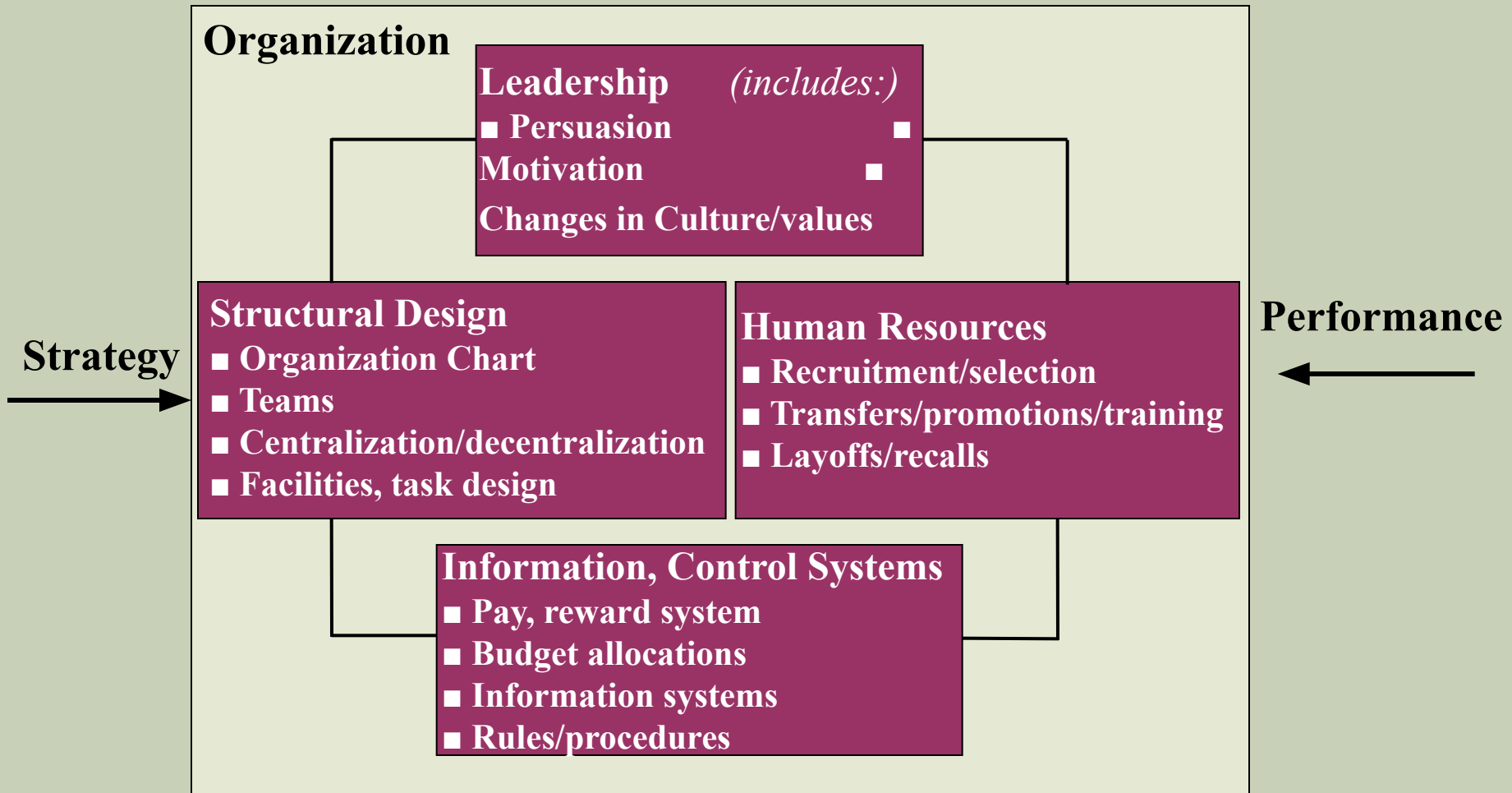
**Source:** Based on Michael E. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (New York: Free Press, 1980).

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# Tools for Putting Strategy into Action

## Environment



**Source:** Adapted from Jay R. Galbraith and Robert K. Kazanjian, strategy Implementation: Structure, Systems and Process, 2d ed. (St. Paul, Minn.: West, 1986), 115, Used with permission.