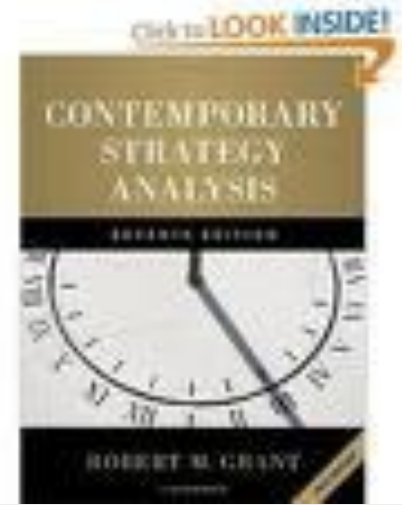


Subject Presentation

Welcome to Strategic Management

February – June 2015

Bibliography



One main reference book:

- ❑ Contemporary Strategy Analysis. 7th Edition. Robert M. Grant. Blackwell Publishing.
- ❑ **CASES**
- ❑ We will also use other texts and readings.
- ❑ Plus other materials such as articles, videos, cases, etc.

Subject Objectives:

- ❑ **Think strategically** about a company, how to gain sustainable competitive advantage, and how its strategy can be implemented and executed successfully;
- ❑ Develop students' confidence in their ability to **present their ideas**;
- ❑ Prepare yourselves for the **future**;
- ❑ Develop the student's capacity to work with materials in **English, Spanish and Catalan**, in a normal and natural manner.

Chapters (Theory + CASES)

1. Subject presentation. Concept of **strategy**. Mission, vision and values.
2. Industry analysis. **External analysis**, PEST. Porter's Five Forces Model.
3. Resources and capabilities. **Internal appraisal** of the organization. Organisational design.
4. Competitive advantage. Its source and how to keep it going. **Generic strategies**: cost and differentiation.
5. **Innovation** management.
6. **Internationalization**. Trade and direct investment. Globalization versus national differentiation.
7. **New trends** in SM.

Chapter 1. Introduction

- Introduction to Strategic Management.



Chapter 1. Introduction

- Introduction to Strategic Management.



The concept of strategy

- A consistency of direction based on a clear understanding of the game being played and the ability to maneuver into a position of advantage.
- Readings: Madonna and Vietnam (p5-8). Read in groups and explain.

The concept of strategy

- A consistency of direction based on a clear understanding of the game being played and the ability to maneuver into a position of advantage.
- Madonna, Vietnam, Williams sisters

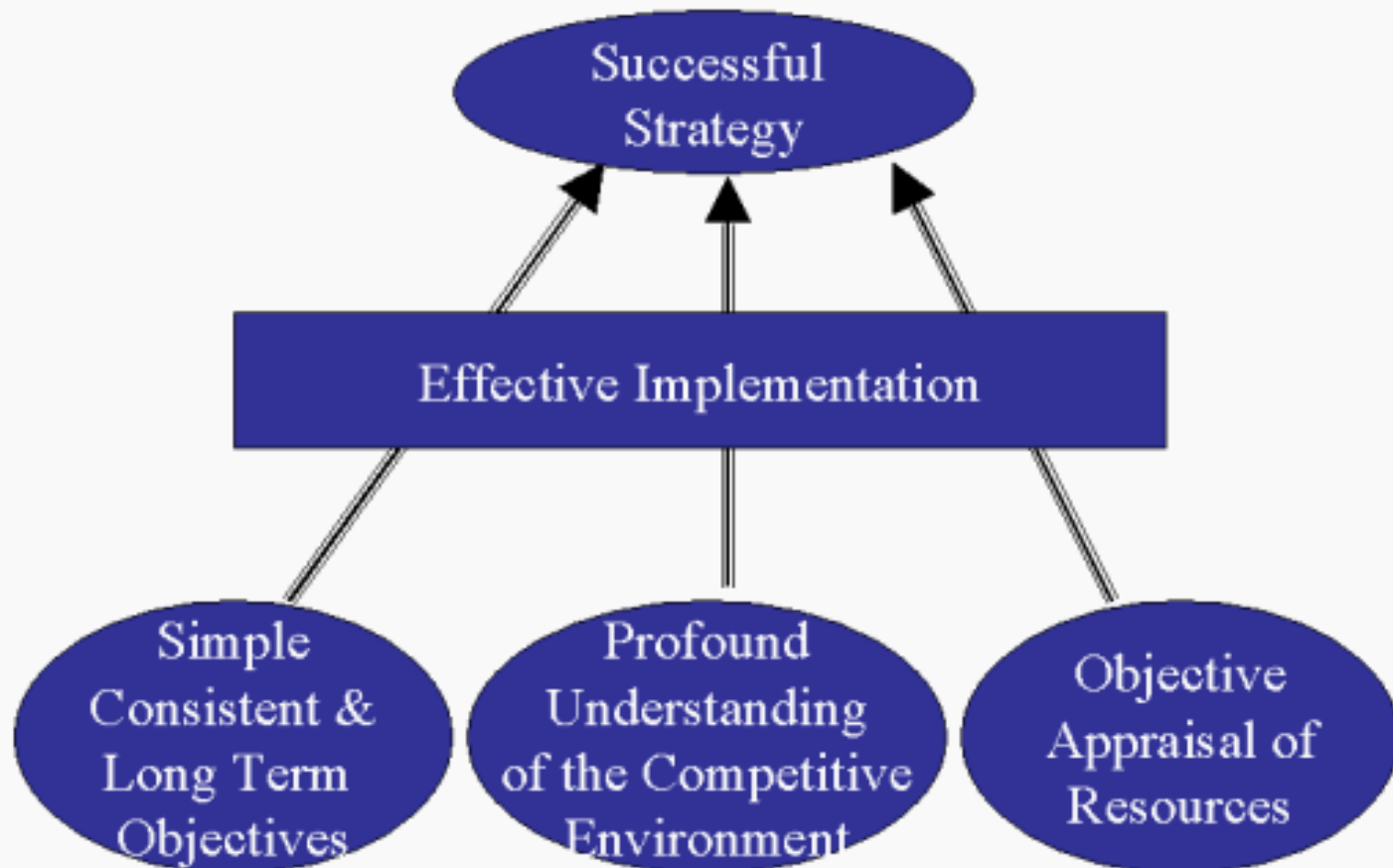
The concept of strategy

□ **4 Common elements for success:**

1. Simple, consistent and long term goals
2. Deep understanding of the competitive environment
3. Objective appraisal of internal resources
4. Effective implementation

The concept of strategy

Common Elements of Successful Strategy



The concept of strategy

□ The basic framework:

FIRM

Goals and values

Resources and

Capabilities

Structure and
systems

STRATEGY

ENVIRONMENT

Competitors

Customers

Suppliers



The concept of strategy

□ Origins of the term “strategy”

Strategy, “to lead the army”,
From Greek.

So, based on the military.



Distinction between **strategy** (overall plan for deploying forces to establish a favourable position) and **tactics** (a scheme for a specific action).

The concept of strategy

- **Ambition:** not to defeat the others but to defend your competitive position, to survive and enjoy prosperity. Businesses seek coexistence rather than the destruction of competitors.

The concept of strategy

- **Strategic decisions have three main characteristics:**

1. They are **important**



Examples?

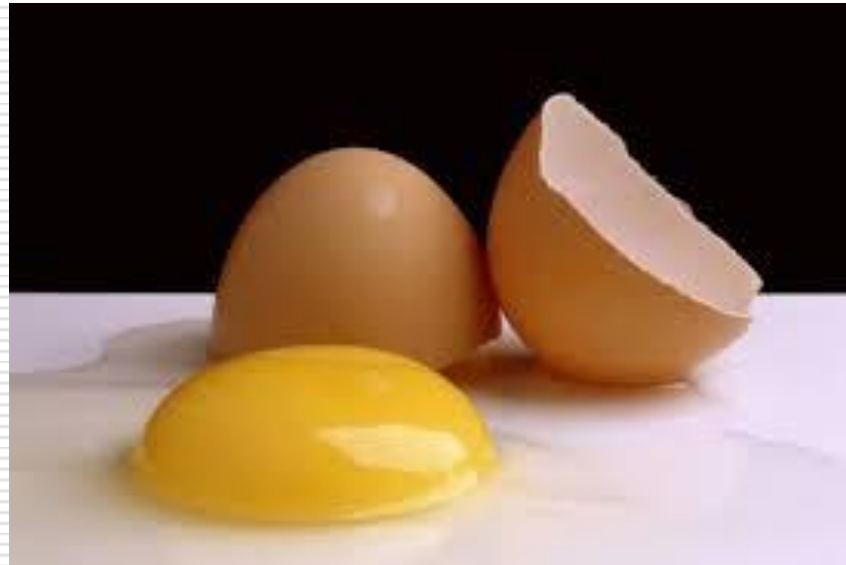
The concept of strategy

2. They involve a significant commitment of **resources**



The concept of strategy

3. They are **not** easily reversible



The concept of strategy

□ **Definitions** – p18

Strategy: is a **deliberate search** for a **plan of action** that will develop a business' s **competitive advantage** and enlarge it.

Estrategia: es la búsqueda deliberada de un plan de acción que desarrolla la **ventaja competitiva** de un negocio, agrandándola.

Two basic levels of strategy within a business (fig. 1.4 p19):

1. Corporate strategy: in which industries should I be?



2) Business strategy: how can I compete?



Why have a strategy?



Why have a strategy?

- ❑ **As a base to take decisions**
- ❑ **As a base to improve coordination**
- ❑ **As a target: forward looking.**



Identifying a company's strategy

Where do we look to find a company's strategy? Strategy is located in three places:

1. In the heads of the CEO and senior managers
2. Speeches and written documents
3. Decisions through which strategy takes place.

Mission, Vision and Values

Most successful companies have a sense of purpose, a motivation, that goes beyond the desire for wealth.

“Profits are to business as breathing is to life. Breathing is essential, but it’s not the purpose for living. Profits are essential, but not the reason for its existence” (Dennis Bakke).

Mission + Vision

Mission: the core purpose, the organization's most fundamental reason for being.

Eurostat.



Mission + Vision

- **A mission statement** is a brief description of a company's fundamental purpose. A mission statement answers the question, "Why do we exist?"



Mission + Vision

Vision: the view of the company's future development. What we want to be.



Mission + Vision

A vision statement is sometimes called a picture of your company in the future but it's so much more than that. Your vision statement is your **inspiration**, the framework for all your strategic planning.

- A vision statement may apply to an entire company or to a single division of that company. Whether for all or part of an organization, the vision statement answers the question, "Where do we want to go?".
Nokia p. 24

[Contradiction vision-guidelines-flexibility???](#)

Values

Values: Important and long lasting beliefs or ideals shared by the members of a culture about what is desirable and what is not. Values have an impact on behaviour and serve as a guideline in all situations.

Values

- Ex. Equal opportunities, product quality, safe conditions, the environment, etc.



Examples



AkzoNobel

Delivering Tomorrow's Answers Today™

Our 55,000 people around the world are committed to excellence and delivering Tomorrow's Answers Today™...

<http://www.akzonobel.com/aboutus/strategy/index.aspx>

Examples



Deutsche Bank

Mission: We compete to be the leading global provider of financial solutions, creating lasting value for our clients, our shareholders, our people and the communities in which we operate.

Values:

Performance – Trust – Teamwork – Innovation – Client Focus

Examples



Mission:

To refresh the world

To inspire moments of optimism and happiness

To create value and make a difference

Vision:

People- be a great place to work

Partners: nurture a winning network of customers and suppliers

Profit: maximize long-term return to shareowners...

Values: leadership, collaboration, integrity, accountability, passion, diversity, quality.

Purpose of strategy analysis

Not so much to provide **answers...**

... But to help us **understand the issues.**

It gives us the **models**, the frameworks that allow us to identify, classify and understand the main factors relevant to strategic decisions.

Mission Statement (1)

ABC designs xxx, the best personal computers in the world. ABC leads the digital music revolution. ABC has reinvented the mobile phone with its revolutionary yyy, and is defining the future of mobile media and computing devices with zzz.



Mission Statement (1 Apple)

Apple designs Macs, the best personal computers in the world, along with OS X, iLife, iWork and professional software. Apple leads the digital music revolution with its iPods and iTunes online store. Apple has reinvented the mobile phone with its revolutionary iPhone and App Store, and is defining the future of mobile media and computing devices with iPad.

Mission Statement (1 Apple in **1980s!**)

“To make a contribution to the world by making tools for the mind that advance humankind.”

The Economist



Mission Statement (2)

Beauty is a language.

Beauty is universal.

Beauty is a science.

Beauty is a commitment.

XXX, offering beauty for all.

Mission Statement (2) L'ORÉAL

L'Oréal has set itself the mission of offering all women and men worldwide the best of cosmetics **innovation** in terms of quality, efficacy and safety. It pursues this goal by meeting the infinite **diversity** of beauty **needs and desires** all over the **world**.

Mission Statement (3)

At XXX our vision is to create a better everyday life for the many people.

Our business idea supports this vision by offering a wide range of well-designed, functional home furnishing products at **prices so low** that **as many people as possible** will be able to afford them.

Mission Statement (4)

To bring inspiration and innovation to every athlete in the world.

“If you have a body, you are an athlete.”

- Innovation
- Creativity
- Collaboration
- Courage
- Curiosity

Mission Statement (5)

XXX offers express and fast delivery transportation services, delivering an estimated 3 million packages daily all around the globe. Its services include overnight courier, ground, heavy freight, document copying and logistics services.

Mission Statement (6)

We are a global family with a proud heritage passionately committed to providing personal mobility for people around the world.

Mission Statement (7)

We fulfill **dreams** through the experience of motorcycling, by providing to motorcyclists and to the general public an expanding line of motorcycles and branded products and **services** in **selected market segments**.

Mission Statement (8)

We work to help people and businesses throughout the world realize their **full potential**. This is our mission. Everything we do reflects this mission and the **values** that make it possible.

Mission Statement (9)

The mission of xxx is to be one of the world's leading producers and providers of entertainment and information. We seek to develop the most creative, innovative and profitable entertainment experiences and related products in the world.

Mission Statement (10)

To improve people's lives, foster business growth and contribute to progress in the communities where we operate by providing innovative services based on information and communication technologies

Mission Statement - Solutions

Apple, L'Oreal, Ikea, Nike, Fedex, Ford, HD,
MS, WD, Telefonica

Mission Statement - Solutions

<http://www.loreal.com/group/who-we-are/our-mission.aspx>

The concept of strategy fig.1.1 p. 10

□ **4 Common elements for success:**

1. Simple, consistent and long term goals
2. Deep understanding of the competitive environment
3. Objective appraisal of internal resources
4. Effective implementation

Strategy is to create **value**

- Business is about creating value. Value can be created by transforming products (production) or by repositioning products in space and time (commerce).
- The difference between the value of a firm's output and the cost of its material inputs is its value added.

Value, yes, but for whom?

- ❑ **Shareholders** interest (anglosaxon approach)
- ❑ **Stakeholders** interest: employees, owners, government, landlord, customers (European approach)

Compromise:

- ❑ **Maximise profits in the long run**

Why profit is our main measure

Four major factors to consider:

- ❑ Competition: competition erodes profitability. A fight to survive: cover costs.

What % new businesses survive after 3 y?

- ❑ If a company does not serve the interest of shareholders, it will be bought. Achieve your potential or will be acquired.
- ❑ In the long term, all the interests of stakeholders converge.
- ❑ **Simplicity**: it is assumed that profit maximization is best.