

Assignment
Strategic Management
Sir Farooq Jan
Maeva Qasim

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Strategic Management Process:

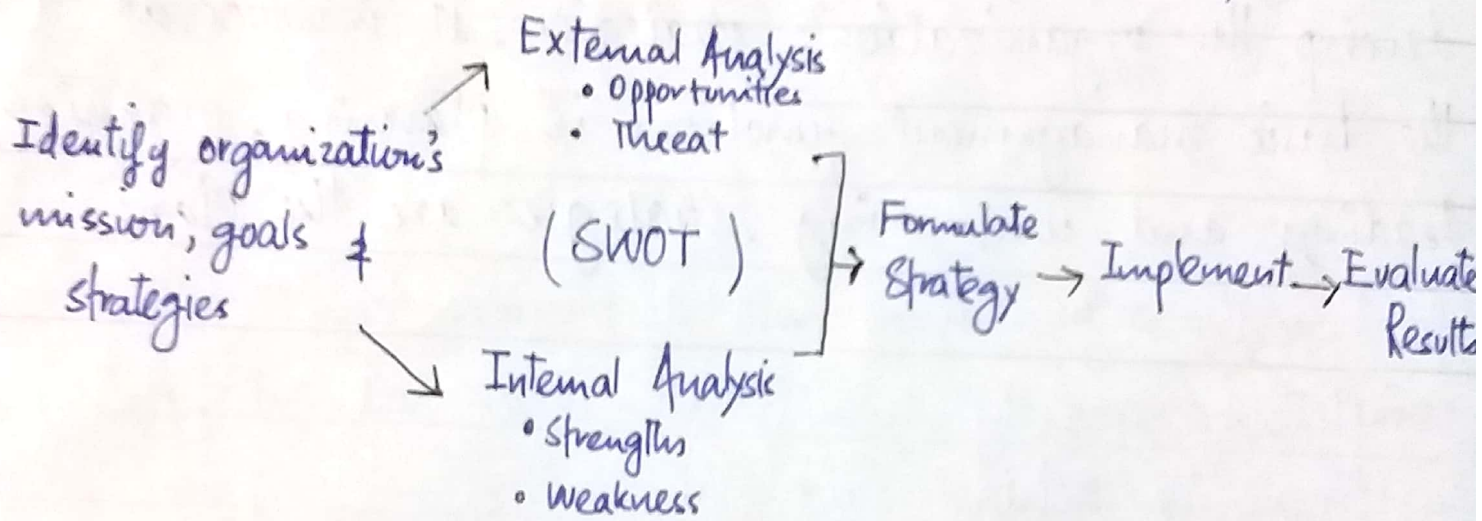
Strategic Management: is what managers do to develop the organization's strategies. It involves all the basic management functions i.e. planning, organizing, leading and controlling. Strategies are the plans for how the organization will do business, how it will complete successfully, how it will attract and satisfy the customers to achieve said goal.

Example: Walmart and Kmart Corporation have battled for market dominance since 1962, the year both companies were founded. The two stores have similarities in: store atmosphere, names, markets and customers served and the organizational goals. Walmart still surpassed its performance (financial and otherwise). Walmart is world's largest retailer and Kmart had to seek bankruptcy protection. The difference in performance was because of different strategies and competitive

abilities, Walmart has excelled by effectively using strategic management. ⁽²⁾

Strategic Management Process:

The strategic management process involves six ~~types~~ steps that includes strategic planning, implementation and evaluation. Even best strategy can fail if management does not implement or evaluate properly.



1) Identify organization's mission, goals & strategies:

Every organization is built on mission i.e. a statement of its purpose. Defining the mission makes it clear what it's in business to do. For example: The mission of Facebook is "a social utility that connects you with the people around you."

Strategies are a series of ways of using mission to achieve the vision. Goals are statements of what needs to be accomplished to implement strategy.

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While facing intense pressure for privacy concerns, Facebook CEO Mark Zuckerberg unveiled a new set of controls to help people better understand privacy controls by effective strategies implementation.

Components of a mission statement:

Some of the components are:

Customers: who are the customers?

Markets: where does the firm compete geographically?

Philosophy: what are the basic values, mores, beliefs?

Products or services: what are its major products and services?

Technology: Is it using latest technology and up to dated?

Self concept: what is its competitive advantage?

Concern for employees: Are the employees a valuable asset?

2) Doing an External Analysis:

External environment is an important constraint which refers to forces outside the organization that affects its performance. In an external analysis, economic factors like interest rates, change in income, business cycle stages, demographic, political/legal factors,

socio-cultural forces, technological components etc. (4)

PESTEL:-

The demographic concepts are concerned with population characteristics such as age, race, gender, education level, geographic location, income and family composition. The political/legal component deals with federal, state and local laws, global laws and laws of other countries. It also includes political conditions and stability of a country. The socio-cultural component includes societal and cultural factors such as values, attitudes, trends, traditions, lifestyles, beliefs, tastes and patterns of behavior. The technological component is concerned with scientific and industrial innovations. The global component encompasses issues associated with globalization and world economy.

Example: Some well-known businesses at the beginning decade were acquired by other companies, like Compaq (now part of Hewlett-Packard), Gillette (now Procter & Gamble), Steve & Barry which is now bankrupt because of external environment factors.

Once the environment is duly analyzed, pinpointing opportunities that the organization can exploit and the threats that the organization must buffer against.

Opportunities and Threats:

A SWOT analysis is a powerful tool to help develop⁵ business strategy.

Opportunities and threat are external-factors going on outside the company, in larger market. Business can take advantage of opportunities and protect against threats. Example includes competitors, prices of raw material, customer shopping trends etc.

3) Doing An Internal Analysis:

Internal environment analysis provides vital information about organization's limited resources and capabilities.

Resources are the assets i.e. financial, physical, human and intangible that together uses to develop, manufacture and deliver to the customers. The capabilities are skills and abilities in doing work activities. Both resources and capabilities determine organization's weapons.

After completing internal analysis, it is important to identify organizational strength and weaknesses. Any activities the organization excels in are the strengths. Weakness is something the organization does not excel in.

SWOT Analysis: The combined external and internal analyses are called SWOT Analysis.

Strengths:

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- ⇒ What business processes are successful?
- ⇒ What assets do you have in your team, knowledge, network, skills, reputation etc?
- ⇒ What physical assets do you have, customers, equipment, technology etc?
- ⇒ What competitive advantages do you have?

Weakness:

- ⇒ Things that business needs to be competitive.
- ⇒ What business processes needs improvement?
- ⇒ Are there any gaps in the team?
- ⇒ Is your location ideal for the success?

Opportunities:

- ⇒ Is your market growing and are there trends that will encourage people to buy more of what the business is selling?
- ⇒ Are there any upcoming events that might help grow the business more?

Threats:

- ⇒ Do you have potential competitors who may enter your market?
- ⇒ Is consumer behavior changing in a way that could negatively impact the business?

Example:

SWOT Analysis of Pepsi:

Strength:

- **Brand Equity:** It is one of the most prominent brand world wide. in food and beverage sector. It has high brand recognition. It has brand value worth \$19.4 billion and ranked 29 in Forbes.
- **Strong Leadership:** Under leadership it has stayed at number 2 only behind Nestle.
- **Strong Distribution:** Pepsi has global presence in more than 200 countries providing with good distribution network.
- **Customer Loyalty:** It has an extremely loyal customer base.
- **Clear Target audience:** Pepsi has a clear target audience i.e young crowd. It targets youngsters through ads.

Weakness:

- **Competition:** In competition with Coca Cola in soft drinks category, neck to neck in competition. Provides a room for customers to switch.
 - **Failed Products:** Failed products such as 'Crystal Pepsi' which hurt the brand image which gave space to competitors to grow.
- Other factors include product dependence and products being perceived as unhealthy.

Opportunities:

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- **Healthy Options:** It should work more on improving the health implications of their products - Diet Pepsi is a positive move towards the direction.
- **Diversification:** Diversifying business into different market segments is a huge opportunity. It has the talents, resources & financial backing and can be done by acquisitions.
- **Corporate Social Responsibility:** Doing CSR activities to tackle the negative remarks that hurt brand image and benefit local people.

Threats:

- **Health Factors:** The unhealthy factor associated with its products can take a toll on health conscious customers and might lose them.
- **Government Norms:** Different norms of different countries might prove difficult to handle and compliance with it.

4) Formulating Strategies:

The process of determining and establishing the goals, mission and objectives of an organization.

Aspects of Strategy Formulation:

i) Corporate Level Strategy:

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In this level perspective is wide to focus overall direction and goals of entire organization - The main concern is the whole structure of the business.

This aspect of strategy formulation has following components:

- Growth strategy: This component is concerned with direction that the business is taking. What are organization's growth objectives? Are the growth strategies still consistent with growth objectives, if not, what changes or modifications must be made?

- Portfolio Strategy: This aspect is concerned with organization's operational structure. What are the lines of business in organization's portfolio? How are the lines interconnected or how do they fit together? The most common strategy developed at this level address queries on whether a business should diversify its portfolio or not?

- Parenting Strategy: The main concern is allocation of resources and capabilities across the lines of business of the organization. How will the items in portfolio be managed? Which lines require more direct management and control?

i) Business Level Strategy:

Large companies usually have different lines of business in portfolio. The larger firms even distinguish them as separate strategic business units (SBU) under a single organizational umbrella. As strategic business units, they are operational as stand-alone businesses, which means that competition is bound to arise.

ii)

Functional Level Strategy:

Compared to other two levels, the functional level has a shorter outlook. Within each SBU, there are functional units with specific tasks and sets of activities. It is concerned with how activities and tasks will be carried out effectively and efficiently.

5) Implementing Strategies :

Organizations come up with strategies but it needs to be implemented to gain benefit. Identify tactics that will be used in implementation of the strategy.

Review of strategies will help the team to prioritize the strategies and identify which one is beneficial.

Example: New Leaf Paper. ①

Following are the tactics, methods and steps taken by New Leaf Paper by emphasizing ^{on} product innovations, environmental and social values.

• Development of innovative products:

New Leaf was the first to develop, manufacture and sell innovative paper products, some of the notable are:

- 'New Leaf Reincarnation', the first 100% recycled created paper in 1998.
- 'New Leaf Ecobook 100', the first trade book paper, made with post consumer waste (PCW) & PCF.
- 'New Leaf Sakura', the first silk-coated paper in U.S (2008).

• Certification as a Certified B corporation:

New Leaf Paper is one of first 81 companies named as Certified B corporation, known for using 'the power of business to solve social and environmental problems'.

• Tie-ups with major companies and undertakings:

One of the most notable ones being one 'New Leaf Paper Ecobook 100' was used to print 950,000 copies of JK Rowling's 'Harry Potter'.

• Leveraging partnerships:

New Leaf Paper partnered with Bank of America and developed the 'New Leaf Everest', the first bright white letterhead paper in the world, made with 100 PCW and PCF.

6) Evaluating Results:

The final step is evaluating results - How effective the strategies been at helping the organization to reach the goals? Does it have the potential to bring company closer to fulfillment of its goals, as laid out in the mission statement?

Looking at 'New Leaf Paper' products - For example the success of 'New Leaf Everest' which spurred five competing paper companies to launch their own brands. This is an indication that company is making strides in its vision of inspiring through success and a fundamental shift towards sustainability in paper industry.