

Principles of Management

Lecture 8

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Learning Objectives

1. Define strategic management. عرف الإدارة الاستراتيجية.
2. Describe the strategic planning process, and SWOT analysis. وصف عملية التخطيط الاستراتيجي.
3. Explain corporate level strategy and the portfolio management approach. عرف استراتيجية المستوى التنفيذي و اشرح مفهوم إدارة محفظة الشركة.
4. Describe the product life cycle. شرح «دورة حياة المنتج».

1. Define Strategic Management تعريف الإدارة الاستراتيجية

- **Strategic management:** involves setting the major long term company goals, and taking all necessary decisions and actions, after considering the company's internal and external environment, in a way that achieves organizational success. (increased revenue, profit etc.).

الإدارة الاستراتيجية تهتم بتحديد الأهداف الطويلة المدى للشركة، و اتخاذ القرارات الوظيفية المناسبة، بعد مراجعة البيئة الداخلية والخارجية للشركة، بطريقة تضمن نجاح المنظمة.

- Strategic management is about *setting the overall direction* of the business.

الإدارة الاستراتيجية تهتم بتحديد الاتجاه العام للشركة.

- Strategic management takes place at the *top (executive) level* of the organization.

الإدارة الاستراتيجية تحدث في أعلى الهرم الإداري (المستوي التنفيذي) للمنظمة.

Think of Strategy As a Game of Chess:

- The company is a collection of units(chess parts) each unit has a role to play.
- The top/executive level decides the *final moves* the organization should take.
- The goal of the strategy is to **win**.
- **What does “winning” mean?**



What Does Strategic Management Involve?

ماذا تتضمن الإدارة الاستراتيجية؟

- Generally, it involves strategic leaders...
 1. Defining the organisational mission. تعريف رسالة المنظمة.
 - A mission statement is a short statement of an organization's purpose & scope of its operations. غرض الشركة ونطاق عملياتها.
 2. Identifying strengths and weaknesses. تحديد نقاط القوة والضعف الداخلية.
 3. Identifying threats and opportunities. تعريف الفرص والتهديدات الخارجية.
 4. Setting long term goals وضع الأهداف طويلة الأجل
 5. Deciding on how to distribute resources. كيفية توزيع الموارد
 6. Deciding on organizational structure. تحديد شكل الهيكل التنظيمي.
 7. Deciding on expansion, diversification or divestment. تحديد التوسع، التنويع أو البيع.
- When managers are involved in these activities they are “doing strategy.”

The Strategic Management Process Starts with Questions....

- When Setting the future direction of the enterprise, executive managers start by *asking and answering key questions such as...*
 1. What are the companies boundaries? What *does it do*, and what will it *not do*?
ماهي حدود الشركة؟
 2. Where is the organization now? (e.g. where does it compete? How do we compete? What is its current market share & market growth rate). ماهي طبيعة السوق الذي ننافس فيه؟ ما هي حصتنا السوقية؟ ما هو معدل نمو المبيعات؟
 3. Where does the organization want to be? اين تريد ان تصل منظمنا؟ ما هو تصورنا للمستقبل؟

4. What changes are happening in the environment?

5. How do we execute/implement our plan?

- These are all *strategic questions*.

2. Describe the Strategic Management Process.

1. Executives evaluate the companies current mission, goals and plans.
2. Scan the internal and external environment (situational analysis) to determine strengths, weaknesses, opportunities and threats. تحليل الوضع/الموقف
3. Define new mission and goals based on the SWOT analysis. تعريف رسالة
واهداف جديدة.

Strategic Management Process:

4. Formulate a strategy at the corporate, business and functional levels.

صياغة استراتيجية على المستوى التنفيذي، مستوى وحدة العمل، والأقسام الوظيفي.

- Corporate strategy: decides “what businesses should we operate?”
- Business level strategy asks, “how does our business compete in our industry for customers?” (how should we advertise? should we change the product? Do we need new facilities/equipment?)
- Functional level strategy asks “how do we support business level strategy at the departmental level?” (e.g. Finance dept. Marketing dept. Product Development dept. etc.).

5. Implement Strategy (for example, through changes in leadership, organizational structure, HR changes, new Information systems etc.).

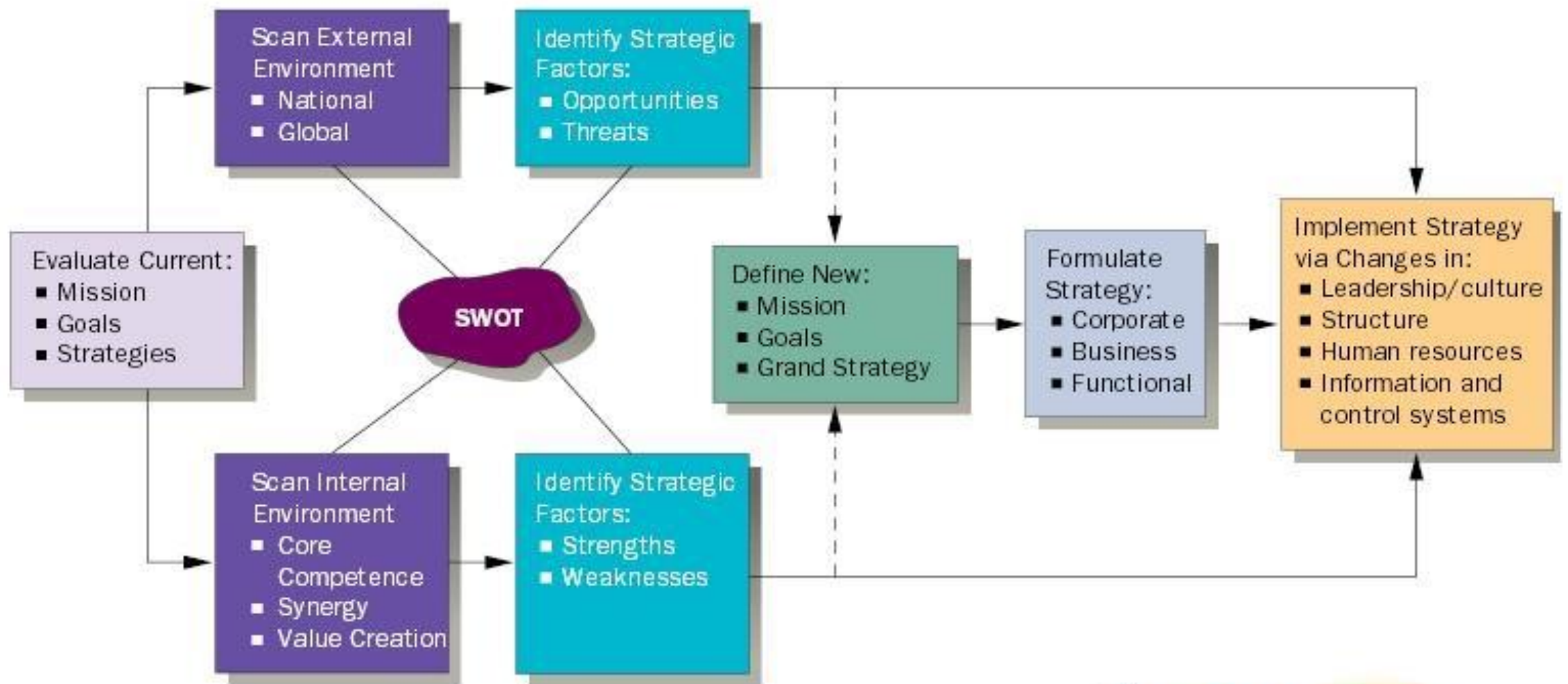


EXHIBIT 5.8

The Strategic Management Process

SWOT (Situational Analysis)

SWOT analysis is a strategic planning tool.

أداة تستعمل للتخطيط الاستراتيجي.

It is the analysis of the....

Strengths

Weaknesses

Opportunities

Threats

...that affect organizational performance at a certain point of time.

It can be applied to the organization as a whole, or specific departments.



Step 1. Identify the Strengths and Weaknesses

- These are **internal** factors that the organization has control over. عوامل داخلية يمكن للمؤسسة التحكم بها.
- Strengths are **characteristics** that give a business a **competitive edge**. نقاط القوة هي الصفات التي تعطي الشركة ميزة تنافسية.
- Weaknesses are the **limitations** of the business that **negatively** effect performance. نقاط الضعف هي نواقص، او عيوب تؤثر بشكل سلبي على أداء الشركة.
- **Can you give some examples of organizational strengths and weaknesses?**



Example of strengths:

- A clear “brand-identity.” /Strong “brand-recognition.”
- High quality and unique product.
- Strong marketing.
- Successful relations with customer.
- Healthy work environment.
- Successful Team work.
- Transformational leadership.



Example of Weaknesses:

- Product not customized according to cultural tastes.
- Not affordable in many developing countries.
- High employee turnover.



Step 2. Identify the Threats and Opportunities.

- These factors are *external* to the organization. The business *does not have direct* control over them.
- Can you give some examples of external threats and opportunities in the business environment for Starbucks?

Example of Opportunities:

- Opportunities are elements in the environment that a business can use to its advantage.
- Starbucks finds opportunities for growth in emerging markets. (via franchise model).
- Starbucks finds a new coffee bean supplier at cheaper price.
- Starbucks looks for opportunities to collaborate with sports and entertainment sector (e.g. as event sponsor).



Example of Threats:

- Threats are elements in the environment that can cause trouble for a business.
- Sudden changes in consumer taste.
- Changes in exchange rate.
- New competing businesses selling similar product (substitute).
- Political violence.



Uses of SWOT:

- SWOT analysis is a way of understanding the company's current condition, identifying points for change and ways of moving forward.
- By knowing strengths you can **maximize them.** اعرف نقاط القوة لتعززها.
- Know weak points so you can **minimize them.** اعرف نقط الضعف لتقليلها.
- Look for potential threats to **avoid them.** ابحت عن المخاطر لتجنبها.
- Look for opportunities to **take them.** ابحت عن الفرص وانتهازها.

1. Define corporate-level strategies and explain the portfolio approach.

- **Corporate level strategy:** ‘is the level of strategy concerned with answering the question “**what businesses are we in?**”’ (Daft, 1998, p. 251).
- Strategy which relates to the *organization’s combination of its business units.*

3 Levels of Strategy in Organizations

Corporate-Level Strategy: What business are we in?

Corporation

Business-Level Strategy: How do we compete?

Consumer
Products Unit

Biotechnology
Unit

Media
Unit

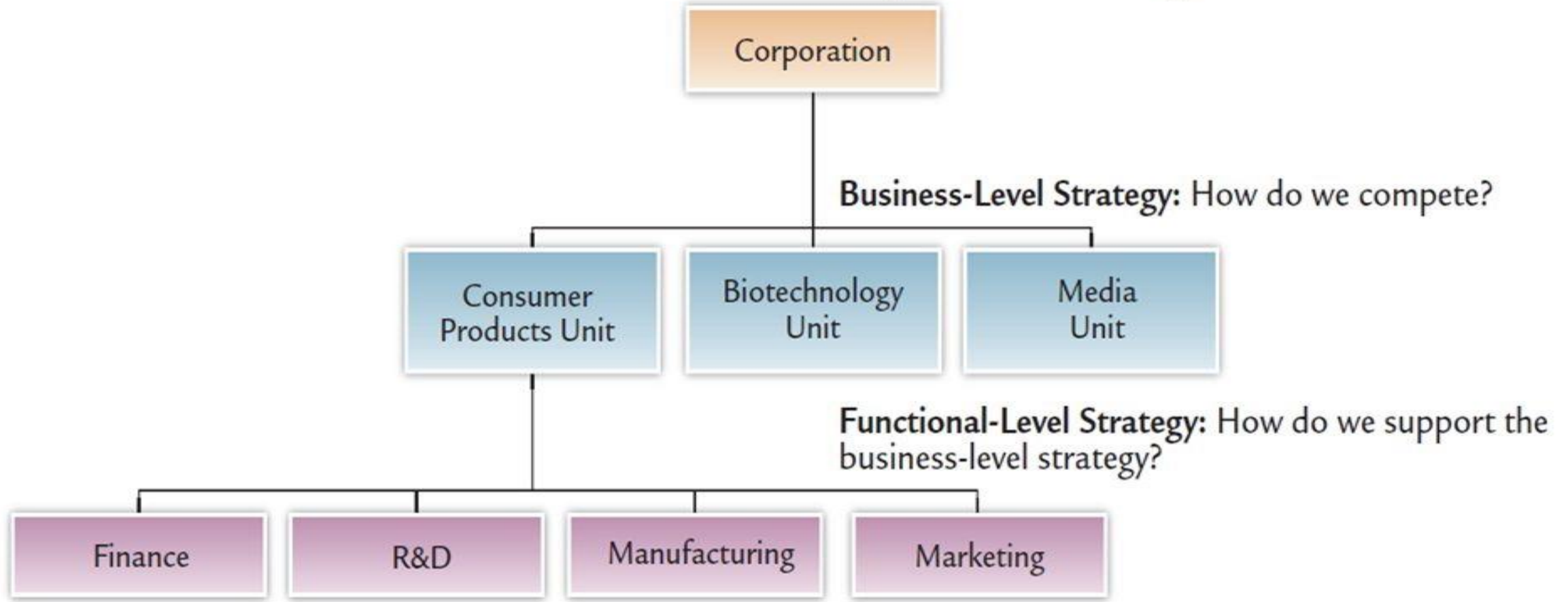
Functional-Level Strategy: How do we support the
business-level strategy?

Finance

R&D

Manufacturing

Marketing



Corporate Level Strategy: The Portfolio Approach

- Portfolio strategy: ‘is a type of corporate-level strategy that looks at the **mix** of **SBU**s in a company and how they **fit together** in a **logical way** to provide the company with a **competitive advantage**.’ (Daft, 1998: p. 256).

هي استراتيجية تصمم على المستوى التنفيذي، وتحدد الخليط المنطقي من الوحدات الاستراتيجية بحيث تتوفر للشركة ميزة تنافسية.

- **SBU**: Strategic Business Unit. وحدة استراتيجية.

Sony's Portfolio: The Mix of SBUs

- Gaming (PS4)
 - Digital imaging.
 - Personal computers, laptops and accessories.
 - Mobile communications.
 - Television.
 - Music (Sony Music Publishing).
 - Film (Sony Pictures).
-
- A consistent, logical mix of SBUs.



Portfolio Management: The BCG Matrix

- BCG matrix is a portfolio management approach. It is a way of thinking about your business units strategically.
- Used to decide which products to *invest in* and which to *divest* from.
- Developed by the **Boston Consulting Group**.
- It categorizes business units along two dimensions– 1) **business growth** rate
2) **market share** .

- **Market growth:** refers to how quickly customer demand is growing for the product over time.
- **Market share:** refers to the percentage (%) of total sales, a company controls, compared to competitors over time.

Back to Sony Example:

- We mentioned Sony's portfolio is composed of many SBU's which include computers, television, cameras, and PlayStation.
- When Sony wants to make a strategic decision it looks at its portfolio.
- If a SBU is *high* market share, and *high* market growth- the decision is to **invest more** in development and expand this SBU.
- If a SBU is *low* market share, and *high* growth- there is risk, it could succeed and grow, but it could also fail. This is called a **Question Mark (?)**
- If a SBU is *low* market share and *low* market growth—Sony should **stop investment** and consider **divestment**.

- **SBU 1.** PS4 console and games.
- **High market share** and **high market growth** → decision to invest more in developing product, and product distribution, promotion etc.

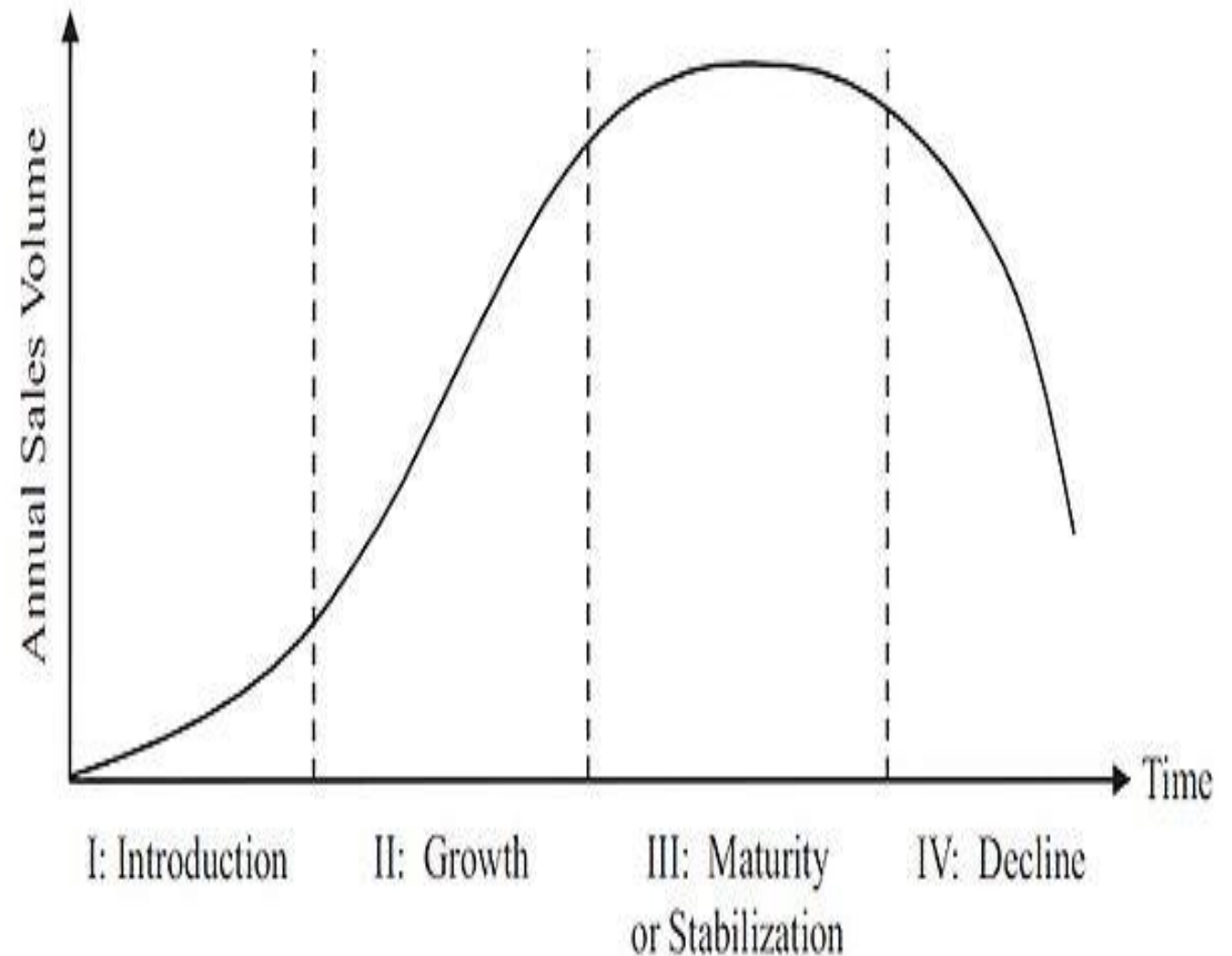


- SBU 2. In 2009 Sony launched the PSP GO.
- After a while, the product went into decline.
- *Low* market share, and *low* market growth.
- Production **discontinued** in 2011.



5. Describe the Product Life Cycle (PLC).

- The Product life cycle refers to the stages of development for a product/service.



1. Introduction Stage.

الانطلاق

- Involves researching, developing, and launching the product into the market.



2. Growth Stage

النمو

- At this stage sales are increasing at their fastest rate.



3. Maturity/Stabilization النضج/الاستقرار

- Sales are at their highest.
- The rate of sales growth, however, is slowing down (e.g. because of new competitors).

4. Decline

التراجع

- Final stage. Sales begin to fall.
- Every product must ultimately fall out of demand.



Questions?