MNGT 393
STRATEGIC MANAGEMENT

CLASS NOTES WEEK 1

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Aftershocks

"Surely if a man were idolized as a public hero, he would scarcely think of his position as an accident, but as a consequence of his actions. So, too, must he recognize responsibility for those of his actions that are not considered noble, or might not be so considered, if all the facts were recognized."

Louis William Norris
"Moral Hazards of an Executive"
Harvard Business Review
September–October 1960

"I distinctly remember raising my eyebrows when we discussed this deal."
The Strategic Management Process

Chapter 1: Strategic Mission
Chapter 2: The External Environment
Chapter 3: The Internal Strategic Mission
Chapter 4: Strategic Inputs
Chapter 5: Strategy and Competitive Advantage
Chapter 6: Organizational Strategy
Chapter 7: Strategic Restructuring and Acquisition
Chapter 8: International Strategy
Chapter 9: Cooperative Enterprise
Chapter 10: Governance and Organizational Controls
Chapter 11: Entrepreneurship
Chapter 12: Leadership
Chapter 13: Entrepreneurship

Strategy Formulation

Strategy Implementation

Strategic Outcomes

Strategic Actions

Feedback
Strategic Flexibility

- Learn to Capacity
- Reorientation
- Slack
- Organizational

Strategic Flexibility
Chapter 1-3

Geographic markets
Established product or
Protect or invade
how, first mover
positioning, new know-
Price-quality
combabrn\s
Global and innovative
maneuvering among
Dynamics of strategic

Competition is changing
Fundamental nature of
environments

Hypercompetitive

Competitive Landscape
Chapter 1-4

1. Strategic dictation by the General

2. Firm develops internal environments

3. What are the external environments of the firm (what external forces exist in the external environment)

4. What can the firm do (what skills required by the environment)

5. What opportunities? (opportunities?)

I/O Model of Above-Average Returns
Four Assumptions of the I/O Model (A)

1. The external environment is assumed to possess pressures and constraints that determine the strategies that would result in above-average returns.

2. Most firms competing within a particular or within a certain segment of it are assumed to control similar strategically relevant resources and to pursue similar strategies in light of those resources.
Behaviors shown by their profit-maximizing acting in the firm's best interests, as assumed to be rational and committed to 4. Organizational decision makers are highly mobile across firms.

3. Resources used to implement strategies

Four Assumptions of the I/O Model (B)
The Firm

Where are the best opportunities?

What can the firm do best?

Average Returns

Resourse-based Model of Above
Core Competencies are the basis for a firm's competitive advantage. Strategic competitiveness leads to ability to earn above-average returns.
Core Competencies

Resources and Capabilities

Nonsubstitutable
Costly to Imitate
Rare
Valuable

These four criteria become a source of resources and capabilities that meet
Figure 1-1: The Five Tasks of Strategic Management

1. Task 1: Develop a strategic mission and vision.
2. Task 2: Set objectives.
3. Task 3: Create strategy to achieve objectives.
4. Task 4: Execute strategy and implement.
5. Task 5: Monitor, evaluate, and take corrective action.
Figure 1-2: A Company's Strategy is Strategic, Reactive, and Adaptive.
Partnerships and Collaborative Actions to Form Strategic

- Acquire rival companies
- Actions to merge or acquire
- Geographic coverage
- Actions to alter circumstances
- Changing external responses to actions to outcompete rivals
- Actions to outcompete rivals

Defend against threats
- New opportunities or efforts to pursue
- Managed activities are functional capabilities
- Resources & actions to strengthen diversity

Strategy -- What to Look For

Figure 1-3: Understanding a Company's
<table>
<thead>
<tr>
<th>Future Market Conditions</th>
<th>Reactive/Follower</th>
<th>Proactive/Leader</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revolutionary</td>
<td>Keep from being swamped by the waves of change</td>
<td>Anticipating change and strategic change</td>
</tr>
<tr>
<td>Gradual</td>
<td>Revising strategy</td>
<td>Drive change</td>
</tr>
<tr>
<td>Evolutionary</td>
<td>To catch the waves (hopefully in time)</td>
<td>Initiating strategic change and actions to ride the crest of change</td>
</tr>
<tr>
<td>Rapid</td>
<td>Strategic Approaches to</td>
<td>Reactive Approaches for Future Market Conditions</td>
</tr>
<tr>
<td></td>
<td>Figure 1-4: Strategic Approaches to</td>
<td>Preparring for Future Market Conditions</td>
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