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STRATEGIC MANAGEMENT AND BUSINESS POLICY

PART II: STRATEGIC ANALYSIS

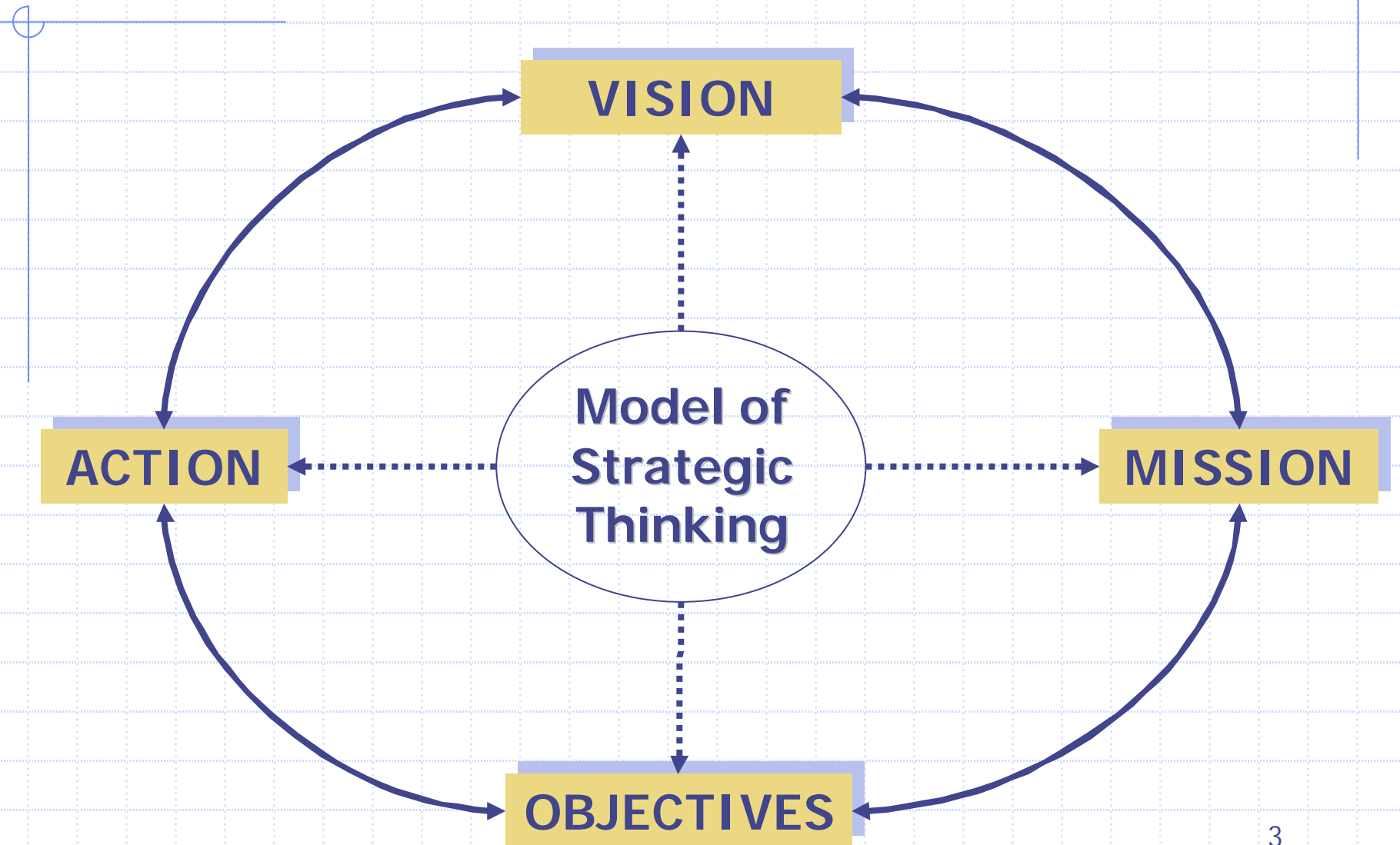
THEME 2: **STRATEGIC THINKING**

THE CONTINGENCIAL SENSE OF THE STRATEGY

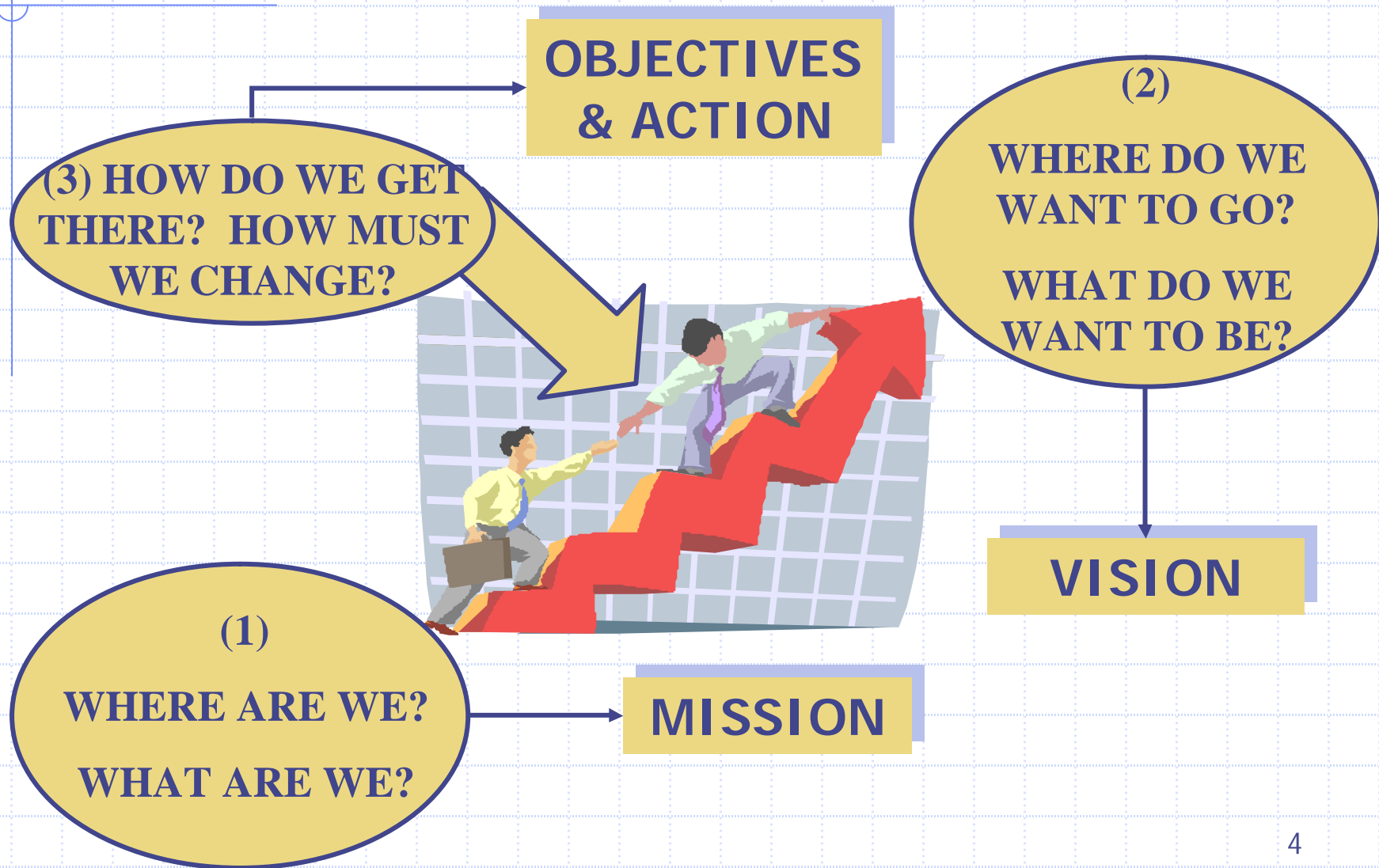
AGE	ENVIRONMENT	STRATEGY
MASS PRODUCTION	<ul style="list-style-type: none">-Stable-Homogenous-Not hostile	<ul style="list-style-type: none">-Product/Market-Price-Costs-Growth (expansion)
MARKETING	<ul style="list-style-type: none">-Stable-Heterogeneous-Little hostile	<ul style="list-style-type: none">-Product/Market (differentiation)-Growth (diversification)
POST-INDUSTRIAL	<ul style="list-style-type: none">-Dynamic-Heterogeneous-Hostile	<ul style="list-style-type: none">-Product/Market (specialization)-Flexibility-Innovation

STRATEGIC THINKING:

Mental model or cognitive structure that must condition how the organization reflects on its business project; that is to say, on why it deserves to exist, what it wants to be and to do.



THE STRATEGIC THINKING



MISSION (concept)

- ◆ It expresses the essential characteristics of the organization, the reasons for its existence, the nature of its business, the groups who are served by the company (its corporate responsibilities), and the principles/values under which it operates. It becomes the **definition of the company**, the declaration of **its corporate identity**.
- ◆ It is the reference for defining the **scope** of the company's business (its product-market strategy - its strategic business units - or its basic strategy).

MISSION (examples)

- ◆ Savings banks (p.e. Caja Madrid).
- ◆ Co-ops.
- ◆ Merck: "We are in the business of preserving and improving the human life. All our actions must be measured by the success in obtaining this".
- ◆ J. García Carrión: to change from a wine company to a beverages company.
- ◆ RENFE (before): "To offer a transport service of passengers and merchandise to the greatest possible number of population and commercial centers at State level".

MISSION (examples)

- ◆ RENFE (now): "To offer a transport service of passengers and merchandise between those points in which the railway can compete in price and quality of service with other means of transport".
- ◆ RENFE's business scope (now):
 - transport of travelers in suburban areas;
 - transport of travelers to medium/long distances in high speed trains;
 - transport of merchandise on a very limited number of lines.

MISSION STATEMENT

What are we?	
To what do we dedicate ourselves?	
For what purpose do we do this?	
For whom do we do this?	
How do we do it?	
What do we believe in? What are our values?	

Example: http://www.uhu.es/english/strategic_plan.pdf

VISION (concept)

- ◆ Hickman and Silva (1984): "It is a mental trip from what is well-known to what is much stranger, **the creation of the future** from an assemblage of real facts, hopes, dreams, risks and opportunities".
- ◆ Hamel and Prahalad (1994): "It is the strategic intention, the really seductive vision of the opportunities of the future. It is a **dream widely shared** in which each and every one of the people of the organization participates".

VISION (concept)

- ◆ Morrissey (1996): "It is intuition, **what is thought that the future of the organization should be** from the point of view of the clients, employees, owners and other important stakeholders".
- ◆ To sum up, the VISION represents **the strategic intent**, the mental projection in the present of the company's future expectations. It is, in short, the creation of that future, **the definition of the business project** that will be taking shape over time (AECA, 1999).

VISION (examples)

- ◆ UHU's MANAGEMENT & MARKETING DEPARTMENT : "Our purpose is to become a Department characterized by the establishment of solid relationships with our clients, based on our staff's firm commitment to the values of Huelva University".
- ◆ Another:
<http://www.uhu.es/GEIDETUR/ingles/mision.htm>

VISION (examples)

- ◆ BRITISH AIRWAYS: To have a significant presence in the world greatest geographic markets, generating an added value higher than the average in each and all of the segments in which it competes.
- ◆ PEPSI COLA: To be the leader of the sector, overtaking Coca Cola.
- ◆ SEAT: To become a sporty brand.

VISION STATEMENT

What and how do we want to be?

What do we wish to become in the future?

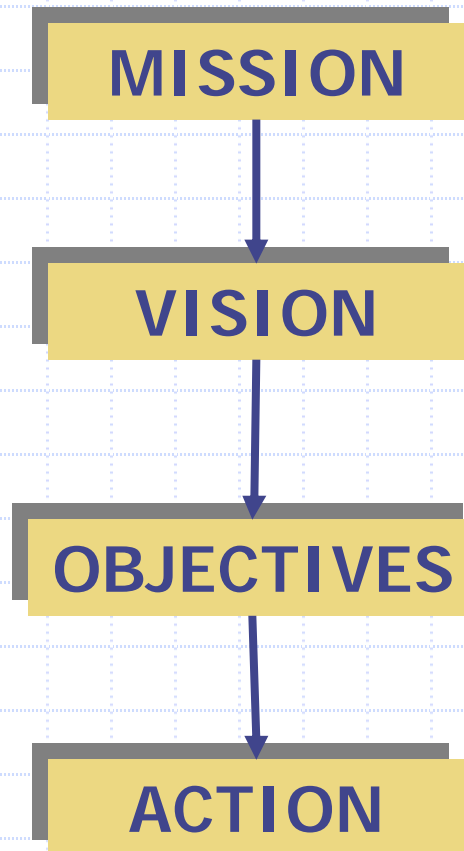
What makes us different?

For whom will we do this?

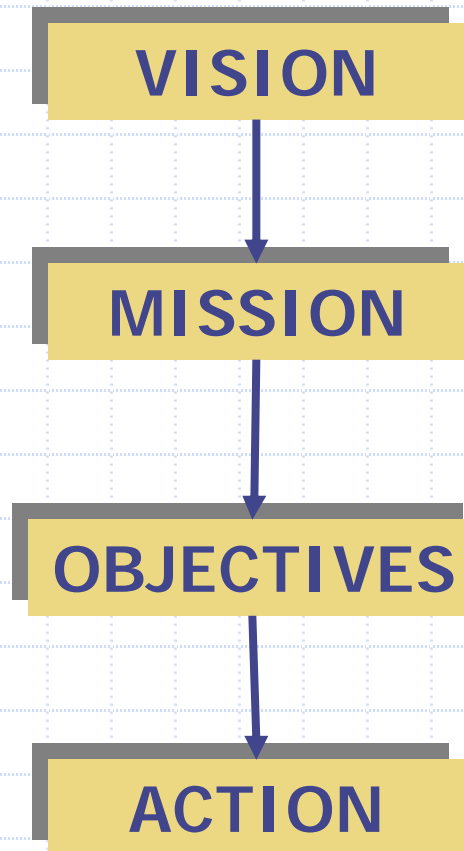
How will we do it?

Example: http://www.uhu.es/english/strategic_plan.pdf

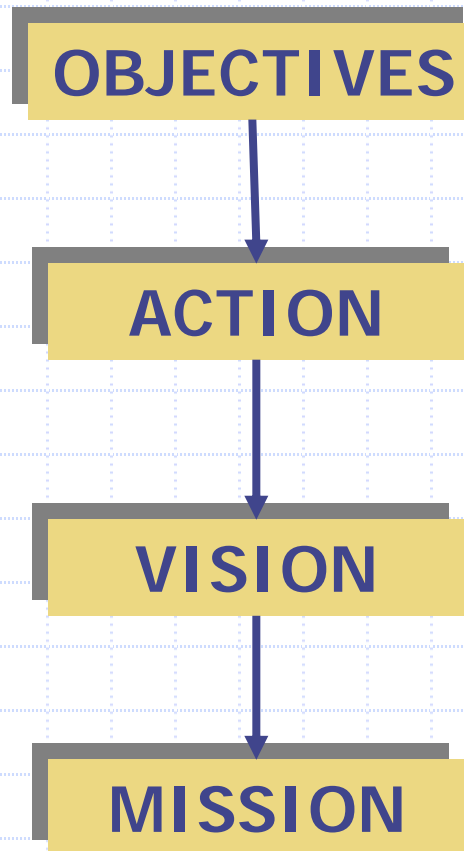
DYNAMICS: THE ORGANIZER' SEQUENCE (maturity)



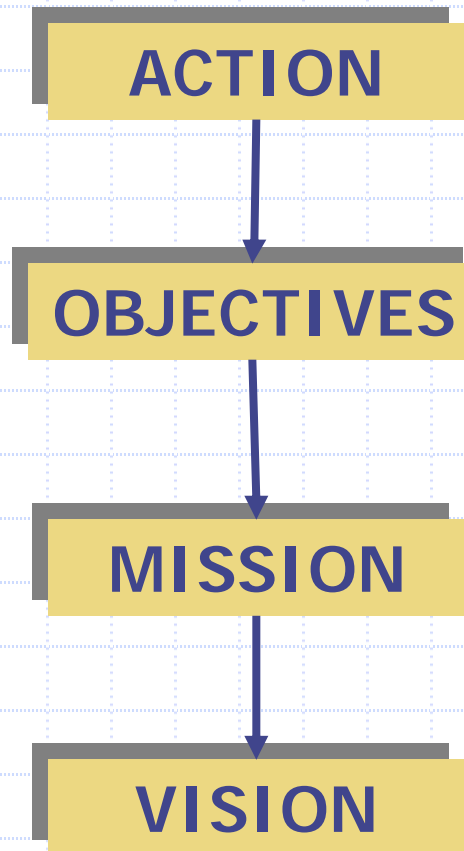
DYNAMICS: THE ENTREPRENEUR' SEQUENCE (creation)



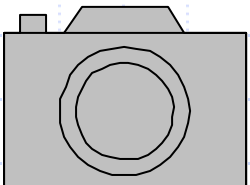
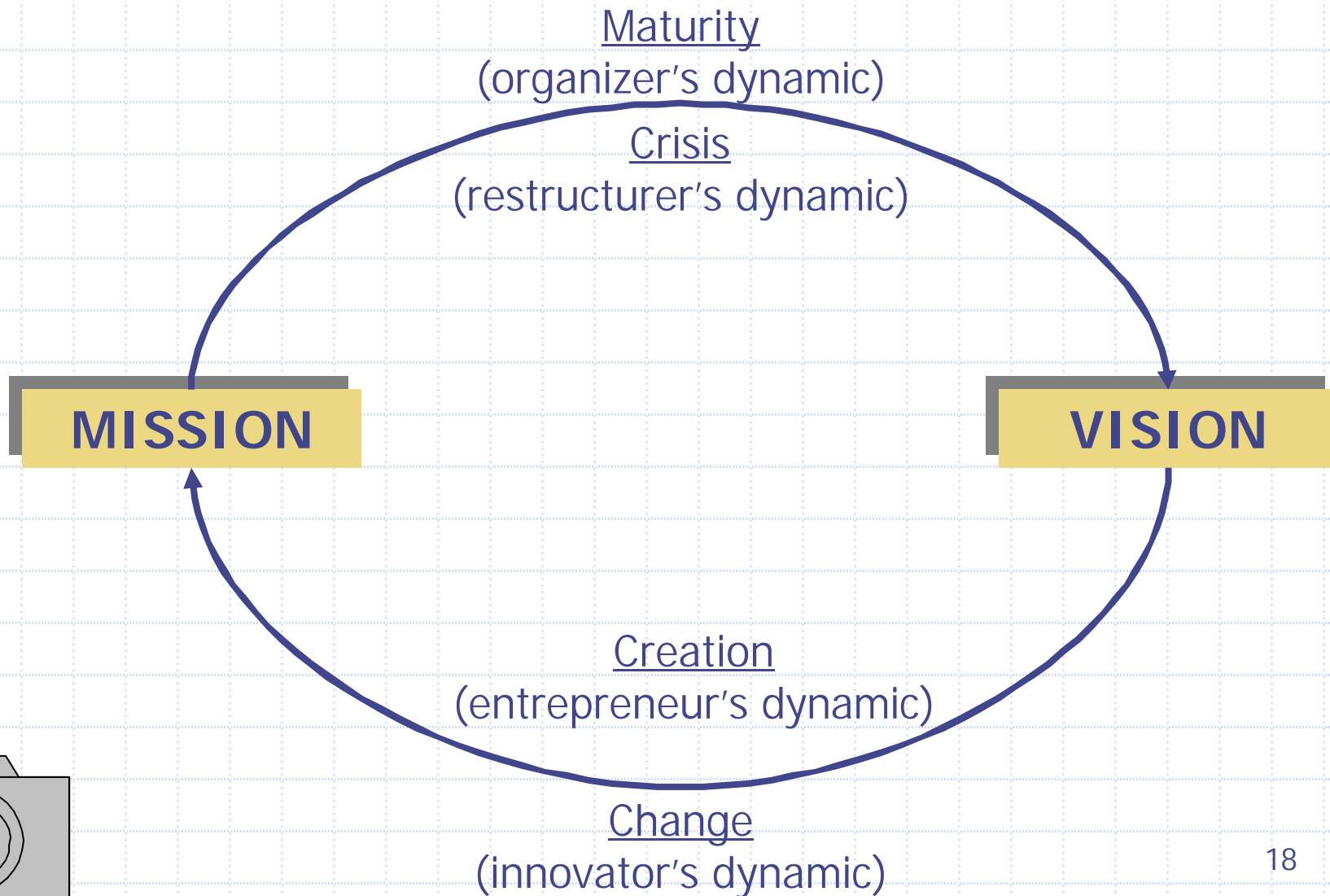
DYNAMICS: THE INNOVATOR' SEQUENCE (change)



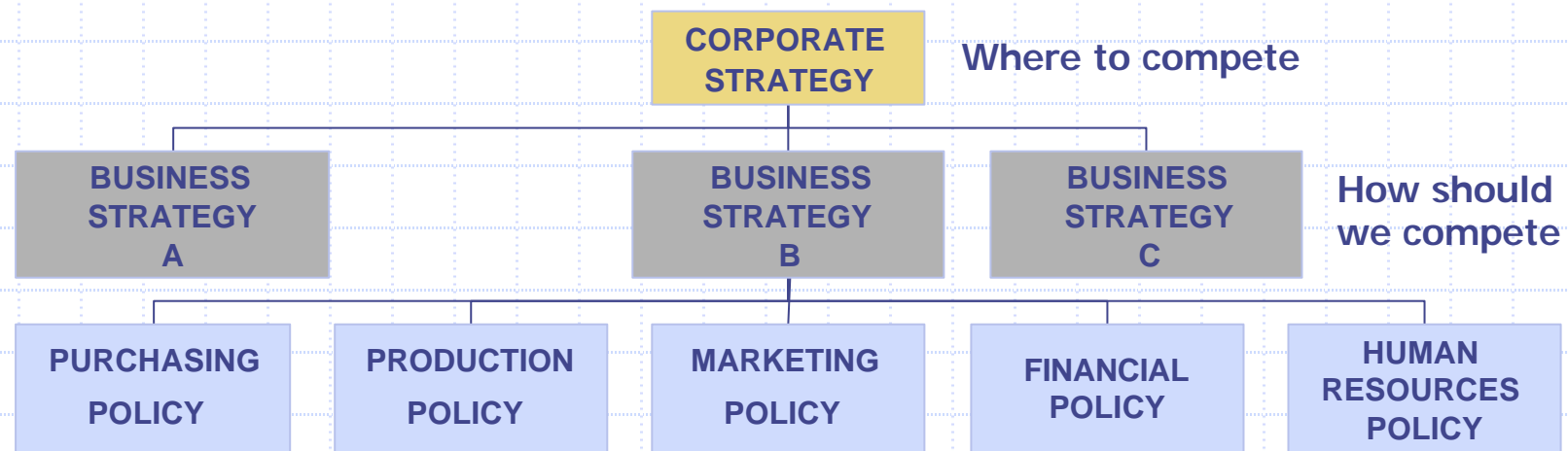
DYNAMICS: THE RESTRUCTURER' SEQUENCE (crisis)



DIFFERENT MISSION-VISION RELATIONSHIPS DURING THE COURSE OF AN ORGANIZATION'S LIFE



LEVELS OF THE STRATEGY



SARGON case study

RELATIONSHIP BETWEEN LEVELS AND ELEMENTS

ELEMENTS	BUSINESS SCOPE	CAPABILITIES	COMPETITIVE ADVANTAGES	SYNERGIES
LEVELS				
CORPORATE	(1)	(1)		(1)
BUSINESS		(2)	(2)	(2)
FUNCTION		(3)		(3)

EVALUATION OF AN OPPORTUNITY



- ◆ The need that the product satisfies.
- ◆ Possibility of identifying potential clients.
- ◆ Size of the market.
- ◆ Market growth rate.
- ◆ Market share to be obtained.
- ◆ Competitive situation: degree and structure of the competition.

EVALUATION OF AN OPPORTUNITY

- ◆ Expected reaction from competitors.
- ◆ Degree of control possible over prices, costs and distribution channels.
- ◆ Marketing and production costs.
- ◆ Return on investment, period of time before reaching break-even point and pay-back period.
- ◆ How to retain ownership of the idea, to protect/patent the technology, product or service.
- ◆ The entrepreneur and the profile of his management team.

MOTOROLA'S NEW MISSION (*)

CEO ZANDER IS CHANGING THE CADENCE, FOCUS, AND EVEN THE SHAPE OF THE COMPANY. HERE ARE THE KEY COMPONENTS OF HIS PLAN:

NO EXCUSES: In the past, employee bonuses were based on the performance of their business units. Now, Zander has made collaborating across the company a key factor in raises and bonuses. And 25% of all bonuses are based on new metrics, including meeting product deadlines and getting high marks on customer satisfaction surveys.

SERIOUS BUSINESS: In the past, Motorola sold its phones to customers and wireless gear to telecom companies. Now, Motorola wants to equip the likes of Ford and UPS with communications gear, and partnerships with IBM and Avaya to help install and maintain the equipment.

FRESH FORMATION: Zander thinks Motorola's structure of five autonomous business units isn't agile enough. He is considering a major overhaul –most likely, shifting to several groups that focus on types of customers, such as corporations and telecom companies. He is expected to unveil the merging of two or more units.

INTERNET RULES: Zander wants Motorola to lead the way in combining wireless communications and the Net. He is pushing engineers to use Internet protocols so people can hand off home phone calls or digital music to a mobile phone as they leave the house. Motorola expects to hit the market with a product that can be a cordless phone at home and a cell phone on the road.

(*) BusinessWeek, August 9, 2004.



"You can only make progress by thinking big,
you can only advance by being farsighted."

(José Ortega y Gasset, Spanish
philosopher, 1883-1955)