

Unit 1

Introduction and Basic Concepts of Strategic Management

“If you don’t know where you are going, any road will take you there.”

Lewis Carroll, Alice in Wonderland

1. What are the definitions of strategy?

There are many ways we can define strategy. The following are three of the best.

1.1 Strategy is the set of goal-directed actions a firm takes to gain and sustain superior performance relative to competitors (Rothaermel, 2018).

1.2 Strategy is the ideas, decision, and action than enable a firm to success (Dess, and et. al, 2018).

1.3 Strategy is the process by which an entity or organization sets a direction and implements a plan to reach its goals, chief of which is usually its own continued survival (Dalton, 2016).

However, **Strategic Management** consists of the analyses, decisions, and actions an organization undertakes in order to create and sustain competitive advantages

2. What are four key attributes of strategic management?

2.1 Direction The first key attribute of strategic management is the direction toward overall organizational goals and objectives. In other words, the most important direction should be clear and ensure the direction must be best for the total organization, not just a single function area or one department.

2.2 Decision making The second key attribute of strategic management is that the decision making must include multiple stakeholders. In fact, managers will not be successful if they focus on a single stakeholder.

2.3 Short-term and Long-term The third key attribute of strategic management needs to incorporate short-term and long-term perspectives. In other words, managers must maintain both a focus on vision for the future of the organization and a focus on its present operating needs.

2.4 Trade-off between efficiency and effective The fourth key attribute of strategic management the trade-offs between efficiency and effectiveness. Efficiency means to performing action with low cost while effectiveness means to tailoring the actions to the needs of an organization.

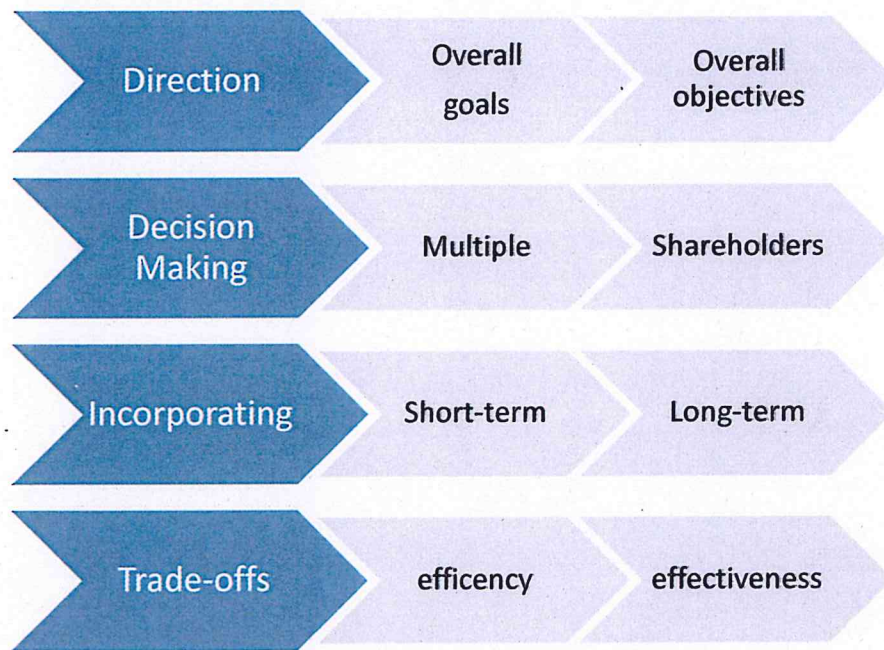


Fig 1. Four Attributes of Strategic Management



Figure 1.2: A Hierarchy of Goals

3. A Hierarchy of Goals

In general, organization goals ranging from the top which are those less specific but it is a long-time horizon to the bottom which are those more specific and measurable but a short-time horizon.

3.1 Vision is a goal that is the future direction of the organization and it is a long-term goal. It is a job of leader of the organization to develop and implement a vision. It is imperative that all members of the organization must understand and share the vision of the organization. For example, Alibaba's vision is "To make it easy to business anywhere".

3.2 Mission Statements is the purpose of the organization as well as the basis of competition and competitive advantages of the organization. While vision seldom changes, mission statements should change when competitive conditions rapidly and dramatically change or the organization faces with the new threats or new opportunities.

3.3 Strategic Objectives is how to steering an organization in the right direction. Good strategic objectives include necessary and important goals. It is a link from the present to future. However, the success of strategic objectives depends on implementation.

4. Five Important Criteria for Strategic Objectives

4.1 Measurable There must be more than one indicator or more than one best way to measure the progress against fulfilling the strategic objectives.

4.2 Clear and Specific Strategic objectives must be clear to understand by all members in the organization and provide specific goals that need to be achieved.

4.3 Appropriate Strategic objectives must be consistent with the future direction and the purposes of the organization. In other words, strategic objectives must be consistent with vision and mission of the organization.

4.4 Realistic Strategic objectives must be real and achievable. Realistic does not mean too easy or too hard. In fact, it must be challenged but feasible within the organization's resources and in a specific time.

4.5 Timely Strategic objectives must have a time frame for achieving its objectives. The time frame must be specific and can be divided into week, month, and year.

5. Plan, Position, and Perspective

5.1 Plan Strategic management is certainly about plan. In fact, the word "Strategy" derives from a Greek military term "*Strategia*", which means "A Plan for Action". Strategy management is high-level of cognitive activity, forward looking, and visionary process which incorporated the understanding of environment. Most of the time, good strategies are the results of deliberate and careful planning. Therefore, planning is a fundamental for the success of strategic management.

5.2 Position Strategic management is also about positioning of the firm within an attractive and manageable environment. Many firms seek position that they have comparative advantages in a variety way or seek position that they can avoid competition such as being monopoly in a different way. Regulated monopoly is one of the easy ways to make huge profit in a short run. To be in a desirable position in the market makes position as a key component of strategic management.

5.3 Perspective Strategic management is largely a matter of perspective. Different firms have different perspectives.

6. The General Environment

Why is it important to study the general environment prior to design how to implement of strategic management in any organization? General environment means the external factors that are uncontrollable but have both direct and indirect effects on organization strategy. It is vital to study the general environment because it is composed of factors that can have dramatic effects on organization strategy. In fact, the general environment can be divided into six important segments: demographic, sociocultural, political/legal, technological, economic, and globalization.

6.1 The Demographic Segment Actually, demographics are one of the most understandable segment but very important information for any organization to be successful which include population, age, density, sex, race, ethnicity, education, geographic, region, and income. For instance, the changing in the element of demographics such as the growth of aging population of the world will have important implications and will affect the future plan and future decisions of the strategic management, marketing, financial and so forth. The trend of these factors is so important that organizations must be able to understand them and work with them.

6.2 The Sociocultural Segment This is also an important segment which explains about the value, beliefs, and lifestyle of a society and world trend. For instance, the growing concern of healthy diet and physical fitness, and greater interests of clean environment have an effects to the behavior of consumers all over the world. The health and fitness trend increase the demand for many industries related with healthy foods and fitness equipment. Lack of information about sociocultural, the organization cannot be successful both in domestic and international market.

6.3 The Political/Legal Segment This segment is often changing very fast in the modern world. This is a segment about how a society creates and exercises power including election, new leader, new rules and regulations, and new policies. For example, the election of the new President of the United States Donald Trump has a big impacts to the world trade and the future trade with new rules and new policies of the United States. In fact, the world is getting smaller. Somethings happen can affect the world immediately.

6.4 The Technological Segment This segment is also important to business organizations and its industries. The technological segment is about the new innovation, state of knowledge of industries, new applied and pure science, and the interaction with society. For example, the innovation of I-phone leads into many spinoff services and products. One

of the remarkable of new technology of phones create the huge demand of online buying and selling and payment online from the super big companies such as Amazon in the US and Alibaba in China.

6.5 The Economic Segment This segment affect all organizations and industries with the key economic indicators such as interest rates, exchange rates, unemployment, Consumer Price Indexed, gross national products. For example, for the last decade, the world interest rate tend to be very low, therefore, saving money in the bank cannot earn enough income for the rich, they have to move their money into more investment. In fact, the economic segment affects all business and all industries directly and indirectly.

6.6 The Globalization Segment Nowadays more and more firms and organizations expands their operation and sales to other countries and around the world. We are living in globalization which means we depend on each other. In other words, we are exporting and importing from each other around the world. The key elements of globalization include currency exchange rate, global trade, Economic emerging of China and ASEAN. For example, the information technology make it possible to compare information of goods and services around the world instantaneously.



Figure 1.3: The General Environment

7. Five Important Trends of Each Segment

7.1 Demographics There are five key trends of demographic segment which are aging population, rising affluence or more billionaires, change in ethnic composition, geographic distribution of population, and greater disparities in income level.

7.2 Sociocultural There are five key trends of sociocultural segment which are more women in workplace, increase in temporary workers, increase in international workers, greater concern of environment, and new forms of family.

7.3 Political/Legal There are five key trends of political/legal segment which are minimum wages, free trade, new leadership in the United States, health cares, and tax & tariff.

7.4 Technological There are five key trends of technological segment which are nanotechnology, payment online, robot manufacturing, computer aid design, and genetic engineering.

7.5 Economic There are five key trends of economic segment which are low interest rates, high unemployment rate, changes in stock market, inflation, and recessions.

7.6 Globalization There are five key trends of globalization segment which are increase in global trade, fluctuation of currency exchange rates, new trade agreement, world online market, and increase risk associated with terrorism.

Strategic Management

Assignment # 3

Review Questions for Unit One

1. What are three definitions of *strategy*?
2. What is the difference between efficiency and effectiveness? Explain with an example.
3. How is "Strategic Management" defined in the text. What are its four key attributes of strategic management?
4. Why must managers be aware of a firm's external environment?
5. Discuss and describe the six segments of the general environment.