

Strategic Management

Lecture # 2

Strategic Management

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What are main
decisions in the
company?

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Main Decisions

- 1. Technical Decision: The decision to buy and use new computer and software system, equipment, and machines.
- 2. Administrative Decision: The decision about money, budget, personal, customer, and structure of the company. The routine decision of every day business.

Main Decisions

- 3. Strategic Decision: The most important decision of the company. The decision to make about life and death or the survival of the company.

Main Decisions

- Example: Microsoft made a right strategic decision when it switched from DOS program into window program.
- Example, IBM made a wrong strategic decision in the past by focusing on large computer mainframe instead of personal computer.

Strategic Management

- The management process that analyzes the effects of changing environment to the firm both in short run and long run by using SWOT Analysis
- S = Strengths
- W = Weaknesses
- O = Opportunities
- T = Threats

What is strategic
planning?

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Strategic Planning

- 1. You have to analyze the external environment in order to find...
- the opportunity for firm such as new market in China, or business opportunity after Covid19.
- and the threat to the firm such as new product from competitors, or the low global demand from global recession.

Strategic Planning

- 2. You have to analyze internal environment in order to find...
- the strength of the firm such as innovative products, or knowledge in specific market.
- and our weakness of the firm such as old machines and out of date equipment, or too many debts.

SWOT Analysis: International College

- 1. **Strength:** Low tuitions, teaching in English
- 2. **Weaknesses:** Location, Qualification of Lecturers
- 3. **Opportunities:** To pursue higher degree abroad, Get a high paying jobs when economy recover
- 4. **Threats:** Poor economy outlook, No immediated job opening in tourism, airline, hotel, restaurants, and international business.

Strategic Planning

- 3. Set up a short term and medium term goal that is concreted such as open new branch in china by the end of year 2022.

Strategic Planning

- 4. Set up a systematic plan to achieve the goals.
- 5. Make sure that the goal and plan is realistic, not dreaming.

Strategic Plan

- 1. **Vision** - look into the future, the future direction of the firm, what the firm will do next - such as - to be the center hub of Thailand as Kitchen of the World.
- 2. **Mission** - is what the firm is established to do - such as - to be the best automobile company in the world, or to be in the Top 15 ranking of Thailand Universities.

Strategic Plan

- **3. Objective:** What the firm wants to accomplish in one year, three years, and five years. Also, it must have a performance indicator.
- Example: want to increase the customer satisfaction of the Thai airline services at least 4.5.
- Example: want the Thai AirAsia wants to be on time 85% of the time from 75% of the time. - this is one of the performance indicators.

What is entry barrier?

This is how hard the other firms can enter to our market and becomes our competitors.

Entry Barriers

- 1. Economies of Scale
- This means the firm has to produce the output to the certain level that the cost per unit keep declining.
- This means the firm will have the advantage of low cost such as Makro, and lotus.

Entry Barriers

- 2. Capital Requirement and high fixed cost
- This means it requires a large sum of money to invest or have to buy an expensive machines in order to be our competitors.

Entry Barriers

- 3. Product Differentiation
- This means to use our brand name, location, image, price, service, and status symbol to keep customer believe in our fair price and high quality. To make sure that we have some customer brand loyalty.

Entry Barriers

- 4. Channel of Distribution
- This means to have our products everywhere in the shelf and no space left for competitors.
- Example: The K-bank ATM are everywhere in Thailand. 7Eleven are every corner of Thailand.

Entry Barriers

- 5. Have a Special Resource or Technology
- This means the firm might have special resources such as CP company has a large and full cycle of chicken farm. Intel has a secret microchip technology.

Entry Barriers

- 6. Government Policy
- This means government may support some companies by providing low interest rate loan such as PTT as a choice for dependable Thai energy.
- In the past, the Thai government protected many Thai industry such as Banking, Beer, Department Store, Retail, Cement, Oil and etc.

What are competitive factors?

These are the factors that each firm must have in order to compete with other firms.

Competitive Factors

- 1. Pricing
 - - Low cost may lead to the low price which may be a major advantage.
 - - Highly unique product or high image product can be transferred as high price such as Mercedes Benz and Rolex.

Competitive Factors

- 2. Innovation
- The firm has to offer new ideas, new products, new services to consumers all the time. For example, Oichi restaurant offers new menu every three months.
- Cell phone companies offer cell phone + games, + camera, + radio, + internet + TV + etc.

Competitive Factors

- 3. Quality
- Quality of the products - offer guarantee with cash back
- Quality of the services - 30 minutes pizza delivery or free.

Competitive Factors

- 4. Extra services
- Pre-sale service - offer free training on how to use equipment or machine, free test-drive, workshop of eye laser, and etc.
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- After-sale service - free repair, free maintenance, free delivery, free insurance, free interest rate loan, and etc.

Assignment # 2 (10 Points)

- 1. List and explain the three main decisions. Which is the most important decision? Why?
- 2. What is SWOT analysis? Use SWOT to analyze our International College organization with at least three factors for each S,W,O, and T.
- 3. Distinguish the difference among vision, mission, and objectives.
- 4. List and explain six factors of entry barriers.
- 5. List and explain four competitive factors with your own examples.