

Strategic Management

Lecture One

Introduction

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Welcome

I welcome you all to this course that will take thirteen weeks, after which you will be an astute strategist be it in the organization that you work with or in your business. My name is Stephen Githii a learning facilitator and design thinking coach from Africa Nazarene University in Kenya. It is my pleasure to guide you through the course.

Course Overview

Strategic management as a course has the following objectives;

1. **Explore Global Business Trends:** Dive into the economic, socio-political, and technological factors that shape international business landscapes.
2. **Create Innovative Strategies:** Develop cutting-edge strategies to gain a competitive edge and build resilience in various markets.
3. **Lead Organizational Change:** Enhance your leadership skills to drive and manage transformation in response to global challenges.
4. **Use Strategic Management Tools:** Apply essential frameworks and models to analyze complex business situations and make smart decisions.
5. **Navigate Cultural Differences:** Incorporate cultural intelligence into your strategic planning to effectively work across diverse cultural contexts.
6. **Manage Global Risks:** Identify and evaluate potential risks in a globalized business environment and develop strategies to mitigate them.
7. **Promote Sustainable Initiatives:** Create strategies that balance economic goals with environmental and social responsibilities for long-term success.
8. **Improve Strategic Communication:** Effectively share strategic insights and recommendations with diverse stakeholders in a global business setting.

Introduction

In this course we will be looking at strategic management a critical discipline in an organization. We will look in depth and objectively at the process, framework and models available for use by businesspeople. In this topic specifically, we will introduce you to what strategic management is, define key concepts, look at importance of strategic management in a firm, give an overview of strategic management process.

Learning Outcomes

By the end of this introductory topic, participants should be able to:

1. **Define** strategic management and its core components.
2. **Explain** the importance of strategic management for organizational success.
3. **Distinguish** between different levels of strategy within an organization.
4. **Describe** the basic steps involved in the strategic management process.

Introduction to Strategic Management

Opening story: **The Two Hikers and the Bear: An Introduction to Strategic Thinking**

Two friends, David and Michael, decided to go for a hike in a dense forest. They were excited to explore nature and enjoy a break from their busy lives. They started their hike, chatting and enjoying the scenery.

Pause and Reflect

- What assumptions are David and Michael making at this point?
- What potential risks might they be overlooking?
- If you were planning this hike, what would you have done differently?

As they were walking deeper into the forest, they suddenly encountered a large grizzly bear. The bear stood in their path, growling menacingly. David and Michael froze, their hearts pounding in their chests.

Pause and Reflect

- What are the immediate options available to David and Michael?
- What factors will influence their decision-making in this moment?

- How might their friendship affect their choices?

Michael, without a word, took off his backpack, pulled out his running shoes, and started changing his boots.

"David, bewildered, said, "Michael, what are you doing? You can't outrun a grizzly bear!"

"Michael replied, "I know I can't outrun the bear, but I can outrun you."

Pause and Reflect

- What do you think about Michael's response? Is it strategic? Is it ethical?
- What does this situation reveal about individual vs. collective strategy?
- If you were David, how would you react to Michael's decision?

David, realizing the gravity of the situation, quickly assessed his options. He remembered a piece of advice he had once heard: "If you encounter a grizzly bear, play dead." David lay down on the ground, curled into a ball, and pretended to be lifeless

Pause and Reflect

- David's decision was based on information he recalled. How important is information in strategic decision-making?
- Is 'playing dead' a guaranteed strategy for survival? What are the risks?
- How does this situation highlight the importance of environmental scanning and preparation?

The bear approached David, sniffed him, and, after a few tense moments, seemed to lose interest and wandered away

Pause and Reflect

- Why might the bear have left David alone?
- Was David's strategy the 'best' strategy, or was he just lucky?
- What can we learn from this about the role of chance and uncertainty in strategic outcomes?

Michael, seeing that the bear had left, cautiously approached David. David got up, shaken but relieved. The two friends, now with a newfound respect for the wilderness, continued their hike, but with a much more cautious and strategic mindset.

Pause and Reflect

- How does this story relate to the challenges and decisions faced by businesses?
- What are the key strategic lessons we can extract from this narrative?
- How can we apply these lessons to the study of strategic management?

Definition of Strategic Management

Different authors have given different definitions to the concept of strategy, we will look at a few of these;

- **Business perspective:** Strategy is seen as the determination of the basic long-term objectives of a firm and the adoption of courses of action accompanied by resource allocation to achieve these goals (Chandler, 1962)
- **Game Theory perspective:** It's about how to win in a market which is because of rationality and moves to outwit the competitors.
- **Mintzberg's perspective:** Strategy as a stream of firm's decisions to deal with its environment. It is the mediating force between the firm and its environment.
- **Porter's perspective:** Strategy is about being different, its deliberately choosing a set of activities to deliver a unique mix of value.

Therefore, strategic management can be said to be the art and science of formulating, implementing and evaluating cross-functional decisions that enables a firm to achieve its goals.

Why is strategic management said to be an art and science

As an Art

- The process requires creativity and innovativeness to be able to come up with unique solutions and strategies that might set you apart from the competitors.
- Leader's intuition or gut may come into play, they may not rely on data only when making decisions.
- The need to be flexible when the environment changes, when the environment is changing leaders may not afford to be rigid as science may demand.
- Successfully carrying an organization through strategic management journey requires a very well thought narrative, this is artistic.

As a Science

- The process needs to be data driven in decision making, these need to come from analysis such as market research, performance metrics
- It is a structured process, it follows well outlined methodologies and frameworks such as PESTEL, SWOT analysis, Porter's five forces (we will cover these in coming topics)
- The process requires constant monitoring and evaluation which then guides the firm in improvement.

What is NOT a Strategy

Understanding what strategy is not helps in clarifying what is true strategic thinking, here are some common confusions we need to get out of our way.

- **Goals:** What you want to achieve is not a strategy, strategy is how you will achieve those goals
- **Vision and mission statement:** While they are important in providing direction, they do not provide specific actions and choices needed to get to the destination.
- **Impressive statements and tagline:** These may be good for marketing but if there are no decisions and choice to support them, they fall short of what strategy amount to.

Importance of Strategic Management

- **Providing direction and focus:** Where practiced, it helps the firm to align its long-term goal with its activities and resources.
- **Enhance employee commitment:** In instances where the employees are involved in coming up with strategic plan, it increases their understanding of the organization thus increasing their commitment to it.
- **Organizational adaptability:** In a firm that is keen on strategic management is able to change as or before the environment changes.
- **Enhanced competitive advantage:** Though not a guaranteed outcome, but firms that practice strategic management are likely to reduce their competitive disadvantage.
- **Enhanced performance:** Empirically, it has been proven that firms that practice strategic management tend to perform better than those that don't in aspects such as productivity and profitability.

- **Resource optimization:** Strategic management requires alignment of resources to the activities that will help a firm get to its desired destination. Therefore, the process ensures efficient and effective uses of resources.

Excuses firms have for not applying strategic management

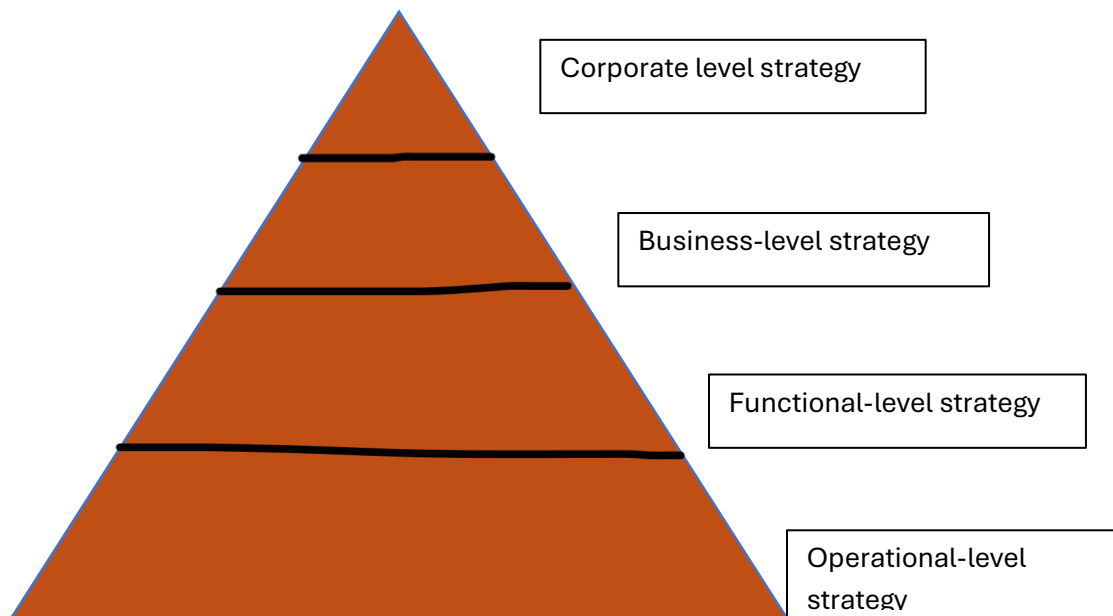
- **We are too small:** there is the notion that strategic management is for big corporate, this is a misconception
- **Time waster:** Some managers feel that strategic planning as a waste of time and that current practices can deliver them into the future.
- **Comfort with success:** Firms that are doing well currently may not see the impetus of crafting new strategies
- **Future uncertainty:** The notion that we cannot predict the future with clarity make some firms hesitant to embrace strategic management.
- **Ignorance:** If the managers are not aware of the benefits of strategic management there are chances that their firm will not engage in the exercise.
- **Past experiences:** If in the past the strategic planning failed, the managers and employee may be a bit apprehensive about it.
- **Lack of reward or punishments:** if the firm does not connect reward/punishment to strategic success, there might be less motivation to engage in the process.

Levels of Strategies in Organization

It is possible to categorize strategies depending on the level in which they are being implemented or actioned. As seen in **Figure 1**, we can talk of four main levels of strategies.

- **Corporate level strategy:** These are high level strategies that guides the overall direction of the entire firm for instance which market/industry are we competing in
- **Business-Level strategy:** This may involve product positioning and try to answer how can we compete successfully in our market. This may be just for business units or product lines that may be competing in different markets.
- **Functional-level strategy:** These are basically how specific functions within a business unit aim to support business-level strategy. For instance, how is marketing will support a product line to be able to compete in its respective market segments
- **Operational-level strategy:** This level deals with day-to-day operations or tactics that support functional strategies. This is where plans and procedures to ensure task execution come to play.

Figure 1:
Strategies Levels



Approaches to crafting strategies

1. **Chief-architect approach:** here the founder or the CEO exert heavy hand in shaping the company's strategy for instance Dell in dell computers, Steve Job in apple, and Howard Schultz of star buck
2. **The delegation approach:** Here the in charge delegate the task of strategy making to the trusted few in the organization
3. **The collaborative/team approach:** Here the manager enlists the help of other subordinates in hammering out consensus strategy.
4. **The corporate intrapreneur approach:** Here everyone within the firm is encouraged to come up with a proposal of new product or innovation the managers act like judges.

Steps in Strategic Management

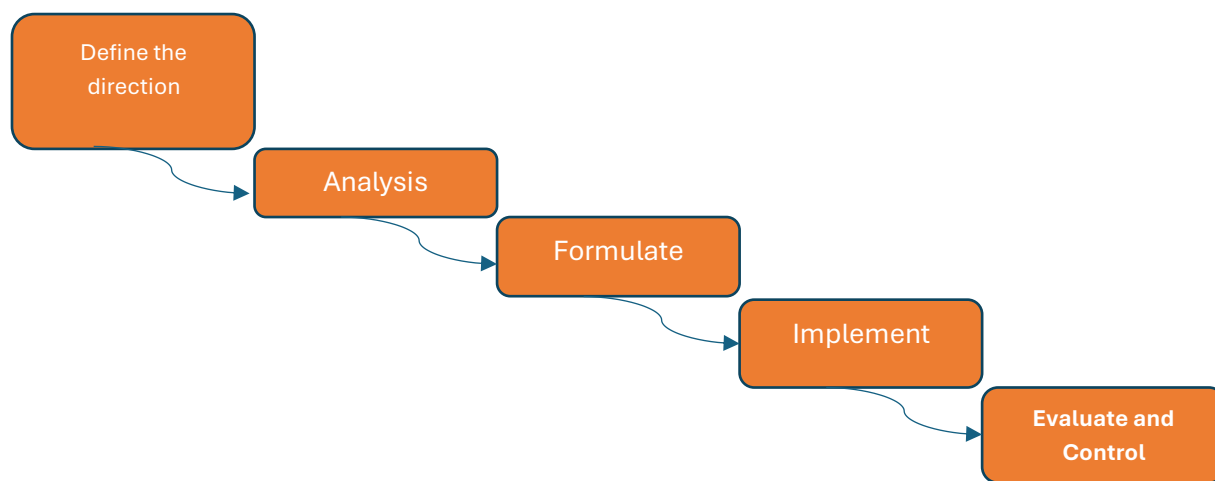
The process of crafting a strategy can be thought of as a waterfall, whereby step one leads to step two. We discuss the phases as shown in **Figure 2** in this section.

- **Defining the direction:** The firm must start by determining where they want to go or be, this is done by establishing their vision, mission, goal and objectives.
- **Analysis:** The firm must then determine the current status of the environment, the industry as well as the internal capabilities and resources. This is done by use of frameworks such as SWOT, VRIO framework, PESTEL among others.

- **Formulation:** After determining the status, the firm must now chart the way to the future it wants to build by choosing the best courses of action to achieve its objectives.
- **Implementation:** This is when the chosen course of action is put into practice, it is where the rubber meets the road.
- **Evaluate and Control:** This entails continuously monitoring the performance of the strategies being implemented. If there are gaps, adjustments are made.

Figure 2:

Strategic Management Process



Topic Recap

- **Definitions of Strategy:** We explored various definitions of strategy from different perspectives.
- **Strategic Management as an Art:** We discussed how strategic management involves creativity, adaptability, Making it an art.
- **Strategic Management as a Science:** We looked at how it involves data-driven decision-making, structured processes, and continuous improvement.
- **What is Not a Strategy:** We clarified what does not amount to strategies such as vision and mission statements.
- **Importance of Strategic Management:** We highlighted its benefits, such as providing direction, competitive advantage, efficient resource allocation, adaptability, improved performance, and employee engagement.

- **Excuses for Not Applying Strategic Management:** We identified common excuses like perceived waste of time, comfort with success, fear of the unknown, and no rewards or punishments.
- **Levels of Strategies:** We covered corporate-level, business-level, functional-level, and operational-level strategies.
- **Crafting Strategies:** We discussed approaches to crafting strategies and what each entail
- **Steps in Strategic Management:** We outlined the steps of defining direction, analyzing the current situation, formulating strategy, implementing strategy, and evaluating and controlling.
- In the next topic we shall look at Strategic Management process in details as well as different school of thoughts that exist in this field.

Reference

Chandler, A.D. (1962) *Strategy and Structure: Chapters in the History of American Enterprise*. MIT Press, Boston.