COURSE GUIDE

BUS 849
STRATEGIC MANAGEMENT

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Introduction

Strategic Management is a one semester, two credit unit course. The course is available to all M.Sc. Business Administration students in the Department of Business Administration, Faculty of Management Sciences. The course has 16 study units, covering general areas such as the general concept of strategic management, strategic management process, concepts and techniques used in environmental and industry analysis as well as identifying trends and changes in environment (which include economic, social, technological and Porter's methods). It covers formal strategic planning system in a corporate organisation, the determination, formulation, selection, implementation and evaluation of strategy. It also covers topics such as principles of governance, delegation of authority, culture and tradition of the organisation and strategic information systems. The Course Guide gives information about this course, relevant textbooks to consult, and how you can painlessly go through the course materials. It also provides useful guidelines on the Tutor-Marked Assignments and books for further reading.

The course is centred on the basic and broad issues in Strategic Management. Strategic Management is very dynamic just as the business environment is dynamic but it is very much rewarding if properly implemented. However, there could be strategy failures, which could be frustrating and disappointing, but there is always room for alternative strategy. Strategy Management deals essentially with deriving and describing the strategy. It is applicable to all organizations, whether big or small, public or private, profit or non profit and even to religious establishments. So, Strategic Management covers the entire aspects of any enterprise and goes beyond the day-to- day operational concerns of the owners and focuses as well on the long- term prospects and development of the organisation. Strategic Management is therefore, concerned with deciding on strategy and planning how the strategy formulated will be put into effective use through strategic analysis, choice, implementation and strategy evaluation.

Through Strategic Management, answers can be obtained for questions such as, what business are we in? Who are the competitors? What are the changes required? What can we do to achieve our set objectives?

This course also shows how Corporate Strategy gives sense of direction to the entire organisation or group, and identifies the business an organisation wants to engage in and shows how the business strategy deals with a single business called Strategic Business Unit (SBU) and how it copes with the environment. Functional strategy is also of paramount importance in this course since there is an interdependence of corporate and business strategies. Based on these facts, Strategic Management involves and affects everyone, consciously or unconsciously.

Course Competencies

This course provides learners with the following competencies:

- Analyse the importance of strategic management in SWOT Analysis
- Justify the importance of the fundamental approach to strategic management
- Critique the unified approach to the challenges of strategic management and environmental analysis
- Evaluate strategy implementation and execution significance of strategic management.

Course Objectives

The aim of this course is to give you in-depth understanding of the study of strategic management. It will also guide the study on the definition and scope of strategic management, corporation and management, strategic planning, strategic choice, strategic formulation, environmental analysis, implementation, evaluation, establishment of feedback mechanism and information technology management strategies.

To achieve the aims of this course, there are overall objectives, which the course is out to achieve, though, there are set out objectives for each unit. The unit objectives are included at the beginning of a unit; you should read them before you start working through the unit.
You may want to refer to them during your study of the unit to check on your progress.

You should always look at the unit objectives after completing a unit.
This is to assist the students in accomplishing the tasks entailed in this course.

In this way, you can be sure you have done what was required of you by the unit.

The objectives serve as study guides, such that student could know if he is able to grab the knowledge of each unit through the sets of objectives in each one.

At the end of the course period, the students are expected to be able to:

- Explain the concept of Strategic Management.
- Discuss the scope of strategic management
- Describe the theories of strategic management
- Analyse the SWOT Analysis
- Analyse the environmental analysis
- Explain fundamental approach to strategic management
- Discuss the types of strategy
- Explain the key concepts in strategic planning
- Justify the importance of the strategy formulation
- Discuss the strategy implementation and organization's culture, leadership and rewards.
- Describe the importance of strategic management
- Discuss the Industry Environment (SWOT analysis).
- Enumeration of the strategic choice and implementation.
- Explain the significant role of the rapidly changing technology on the formulated strategies.
- Discuss the need for alternative strategies.

Working Through this Course

To successfully complete this course, you are required to read the study units, referenced books and other materials on the course.

Each unit contains self-assessment exercises called Student Assessment Exercises (SAE). At some points in the course, you will be required to submit assignments for assessment purposes. At the end of the course there is a final examination. This course should take about 16 weeks to complete and some components of the course are outlined under the course material subsection.

study Units

This course comprises of 16 study units grouped under 3 modules which are as follows:

Module 1

Module 2

Unit 1 Strategic Choice
Unit 2 Strategic Planning
Unit 3 Strategy Formulation
Unit 4 Types of Strategy
Unit 5 Strategy Implementation and Execution

Module 3

Unit 1 Strategy Evaluation
Unit 2 Strategy Evaluation Using Other Technique
Unit 3 Strategy Implementation and Control
Unit 4 Strategy Implementation and Organisation's Culture, Leadership and Rewards
Unit 5 Implementing Strategy: Organization's Response, Innovation and Politics
Unit 6 Information Technology Management Strategies

Each study unit will take at least two hours, and it include the introduction, objective, main content, self-assessment exercise, conclusion, summary and reference. Other areas border on the Tutor-Marked Assessment (TMA) questions. Some of the self-assessment exercise will necessitate discussion, brainstorming and argument with some of your colleges. You are advised to do so in order to understand and get acquainted with historical economic event as well as notable periods.

Textbooks and References

There are many textbooks on Strategic Management. The ones listed here are just but a few. It is not compulsory that you should read all of them. Any standard book on Strategic Management can as well serve the same purpose. You can also browse the internet for useful information.

Abell, D. F. and Hammond, J. S. (1979). *Strategic Market Planning*, Englewood Cliff: N.S Prentice – Hall.

Ansoff. H. I. (1968). *Corporate Strategy,* Penguin.

Anthony, R. H. (1988). *The Management Control Functions*, Boston Mass: Harvard Business School Press.

Brannan, T. (1992). *Listened to the Future: Marketing Business.*

Charles, W. L. Hill, G.R. Jones (2006). *Strategic Management Theory: An Integrated Approach*, ISBN.

Cushing, B. E (1982). *Accounting Information Systems and Business Organisations,* Reading. Mass: Addison-Wesley p.50.

Fahey, L. and Narayanan, V. K. (1986). *Micro-environmental Analysis for Strategic Management*, West Publishing.
Fred, D. (2006). *Strategic Management: Concepts and Cases*, Prentice Hall (2006) ISBN 0-131-86949-3.

Glueck, W. and Jauch, L. (1984). *Business Policy and Strategic Management,* McGraw – Hill Company.

Hax, A. (ed). (1957). *Planning Strategies that Work*, Oxford University Press.

Hofer, C. W. and Schendel, D. (1978). *Strategic Formulation Analytical Concepts,* St. Paul, Min: West Publishing (1978). P. 33.

Hostede, G. H. (1968). *The Game of Budget Control*, London: Heinemann.

Johnson, G. and Scholes, K. (1993). *Exploring Corporate Strategy,* 3rd ed. Prentice Hall.

Kofler, P. (1984). *Marketing Management and Strategy,* A Reader, Englewood Cliffs, N.J: Prentice-Hall, 5th Edition.

Kotler, P. (1988). *Marketing Management: Analysis, Planning Implementation and Control*, Englewood Cliffs: NO Prentice-Hall, 6th Edition.

Maciariello, J. A. (1984). *Management Control System*, Englewood Cliffs, N.J: Prentice-Hall.

Mintzberg, H. (1994). *The Rise and Fall of Strategic Planning: Preconceiving Roles to Planning, Plans, Planner,* New York: The Free Press.

Narayana, V. K. (1986). *Micro- Environment Analysis for Strategic Management,* West Publishing.

Peter F. Drucker (1974). *Management: Tasks Responsibilities,* Practices Heinman Publishing Coy: London.

Porter, M. E (1980). *Competitive Strategy: Techniques for Analysing Industries and Competitors*, Free Press.

Porter, M. E. (1979). *How Competitive Forces Shape Strategy,* Harvard Business Review: Mar – April.

Rackoff I. N.; Wiseman, C. and Urich, W. A. (1985*). Information System for Competitive Advantage: Implementation of a Planning Process,* MIS Quarterly: Dec pp 285 – 29

Robson, W. (1997). *Strategic Management and Information System*. 2nd Edition Pitman Publisher: London.

Rowe, A. J., Mason, R. O, Dickel, K. E., Mann, R.B., and Mockler, R. J. (1994). *Strategic Management: A Methodological Approach*, Addison: Wesley.

Stacey, R. (1991). *The Chaos Frontier: Creative Strategic Control for Business,* Oxford: Butter Worth Heineman.

Strategic Management – Wikipedia the Free Encyclopedia

Thompson, A. A. and Strickland, A. J. (1987). *Strategic Management: Concept and Cases,* Mc-Graw Hill/Irwin: USA.

Weihrich, H. (1982). The TOWS Matrix. *A Tool Situational Analysis, Long Range Planning,* vol. 15 pp 54 – 66.

Wendy R. (1997). *Strategic Management and Information Systems*, 2nd Edition, Pitman Publishing Coy: U.K.

Wilson, M. S. and Gilliangan, C. (1997). *Strategic Marketing Management*, Bulterworth Heinemann, Jordan Hill: Oxford

There are also textbooks under the reference and other (on-line and off-line) resources for further reading. They are meant to give you additional information if only you can lay your hands on any of them. You are required to study the materials; practice the self- assessment exercise and tutor-marked assignment (TMA) questions for greater and in- depth understanding of the course. By doing so, the stated learning objectives of the course would have been achieved.

Presentation Schedule

The presentation schedule included in your course materials gives you the important dates for this year for the completion of tutor-marking assignments and attending tutorials.
Remember, you are required to submit all your assignments by due date. You should guide against falling behind in your work.

Assessment

There are two types of the assessment of the course. First are the tutor-marked assignments; second, there is a written examination.
In attempting the assignments, you are expected to apply information, knowledge and techniques gathered during the course. The assignments must be submitted to your tutor for formal Assessment in accordance with the deadlines stated in the Presentation Schedule and the Assignments File. The work you submit to your tutor for assessment will count for 30 % of your total course mark.

At the end of the course, you will need to sit for a final written examination of three hours' duration. This examination will also count for 70% of your total course mark.

Tutor-Marked Assignments (TMAs)

There are three tutor-marked assignments in this course. You will submit all the assignments. You are encouraged to work all the questions thoroughly. The TMAs constitute 30% of the total score.
Assignment questions for the units in this course are contained in the Assignment File. You will be able to complete your assignments from the information and materials contained in your set books, reading and study units. However, it is desirable that you demonstrate that you have read and researched more widely than the required minimum. You should use other references to have a broad viewpoint of the subject and also to give you a deeper understanding of the subject.

When you have completed each assignment, send it, together with a TMA form, to your tutor. Make sure that each assignment reaches your tutor on or before the deadline given in the Presentation File. If for any reason, you cannot complete your work on time, contact your tutor before the assignment is due to discuss the possibility of an extension. Extensions will not be granted after the due date unless there are exceptional circumstances.

Final Examination and Grading

The final examination will be of two hours' duration and have a value of 70% of the total course grade. The examination will consist of questions which reflect the types of self-assessment practice exercises and tutor-marked problems you have previously encountered. All areas of the course will be assessed
Revise the entire course material using the time between finishing the last unit in the module and that of sitting for the final examination to. You might find it useful to review your self-assessment exercises, tutor-marked assignments and comments on them before the examination. The final examination covers information from all parts of the course.

How to Get the Most From the Course

In distance learning the study units replace the university lecturer. This is one of the great advantages of distance learning; you can read and work through specially designed study materials at your own pace and at a time and place that suit you best.
Think of it as reading the lecture instead of listening to a lecturer. In the same way that a lecturer might set you some reading to do, the study units tell you when to read your books or other material, and when to embark on discussion with your colleagues. Just as a lecturer might give you an in-class exercise, your study units provide exercises for you to do at appropriate points.

Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit and how a particular unit is integrated with the other units and the course as a whole. Next is a set of learning objectives. These objectives let you know what you should be able to do by the time you have completed the unit.

You should use these objectives to guide your study. When you have finished the unit, you must go back and check whether you have achieved the objectives. If you make a habit of doing this you will significantly improve your chances of passing the course and getting the best grade.
The main body of the unit guides you through the required reading from other sources. This will usually be either from your set books or from a readings section. Some units require you to undertake practical overview of historical events. You will be directed when you need to embark on discussion and guided through the tasks you must do.

The purpose of the practical overview of some certain historical economic issues are in twofold. First, it will enhance your understanding of the material in the unit. Second, it will give you practical experience and skills to evaluate economic arguments, and understand the roles of history in guiding current economic policies and debates outside your studies. In any event, most of the critical thinking skills you will develop during studying are applicable in normal working practice, so it is important that you encounter them during your studies.

Self-assessments are interspersed throughout the units, and answers are given at the ends of the units. Working through these tests will help you to achieve the objectives of the unit and prepare you for the assignments and the examination. You should do each self- assessment exercises as you come to it in the study unit. Also, ensure to master some major historical dates and events during the course of studying the material.
The following is a practical strategy for working through the course. If you run into any trouble, consult your tutor. Remember that your tutor's job is to help you. When you need help, don't hesitate to call and ask your tutor to provide it.

- Read this Course Guide thoroughly.
- Organize a study schedule. Refer to the `Course overview' for more details. Note the time you are expected to spend on each unit and how the assignments relate to the units. Important information, e.g., details of your tutorials, and the date of the first day of the semester is available from study centre. You need to gather together all this information in one place, such as your dairy or a wall calendar. Whatever method you choose to use, you should decide on and write in your own dates for working breach unit.
- Once you have created your own study schedule, do everything you can to stick to it. The major reason that students fail is that they get behind with their course work. If you get into difficulties with your schedule, please let your tutor know before it is too late for help.
- Turn to Unit 1 and read the introduction and the objectives for the unit.
- Assemble the study materials. Information about what you need for a unit is given in the `Overview' at the beginning of each unit. You will also need both the study unit you are working on and one of your set books on your desk at the same time.
- Work through the unit. The content of the unit itself has been arranged to provide a sequence for you to follow. As you work through the unit you will be instructed to read sections from your set books or other articles. Use the unit to guide your reading.
- Up-to-date course information will be continuously delivered to you at the study centre.
- Work before the relevant due date (about 4 weeks before due dates), get the Assignment File for the next required assignment. Keep in mind that you will learn a lot by doing the assignments carefully. They have been designed to help you meet the objectives

of the course and, therefore, will help you pass the exam. Submit all assignments no later than the due date.

- Review the objectives for each study unit to confirm that you have achieved them. If you feel unsure about any of the objectives, review the study material or consult your tutor.
- When you are confident that you have achieved a unit's objectives, you can then start on the next unit. Proceed unit by unit through the course and try to pace your study so that you keep yourself on schedule.
- When you have submitted an assignment to your tutor for marking do not wait for it return `before starting on the next units. Keep to your schedule. When the assignment is returned, pay particular attention to your tutor's comments, both on the tutor-marked assignment form and also written on the assignment. Consult your tutor as soon as possible if you have any questions or problems.
- After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objectives (listed in this Course Guide).

Online Facilitation

For semester the course is taken, you have about eight (8) weeks of online facilitation on this course. During the online presentation, you are probably made available with notes and video materials from the course facilitator. These materials intend to enable you read through the materials.

Strategic Management deals with deriving and describing organisational strategy. It is applicable to all organisations whether small or large, public or private, profit or non-profit oriented establishments. In this light, Strategic Management goes beyond the day-to-day operations of the company and focuses on the long-term organisation’s prospect and development. It therefore, encompasses the whole enterprise, and includes creative, leadership, entrepreneurial and innovative dimensions. Strategic Management, as a sub-set of management, is concerned with the general direction and long-term policy of the business. Strategy determination in an organisation is the most significant area of decision-making in management. Strategic Management aims at creating the future as well as reacting to the changing times.

MAIN COURSE

CONTENTS

MODULE 1

UNIT 1 INTRODUCTION TO STRATEGIC MANAGEMENT

Unit Structure

1.1 Introduction

The first unit in this course is an introduction to Strategic Management, which is used as the title for the capstone course in Business Administration or business policy. Indeed, strategic management integrates materials from all business courses. Strategic management deals with formulation decisions that enable an organization to achieve set objectives. Strategic management focuses on integrating management, marketing, finance/accounting, production/operations, research and development, and computer information systems to achieve organizational successes.

There are several ways in which strategic management has been defined. Strategic management is dynamic. However, what is of utmost importance is to understand the actual meaning the term.

1.2 Learning Outcomes (Los)

By the end of this unit, you will be able to:

- explain the meaning and components of strategic management.
- identify the elements and characteristics of a mission statement.

- describe the stages or steps involved in the strategic management process.
- identify the historical development of strategic management.
- recognize the benefits and advantages of strategic management.
- evaluate the impact of strategic management on organizational performance.

1.3 Introduction To Strategic Management

Strategic management provides better guidelines to the entire organization on the crucial point of “what is it we are trying to do and to achieve?
It makes managers more alert to the winds of change, new opportunities and threatening developments. It also provides managers with a rationale for evaluating competing budget requests for investment capital and new staff. It helps to unify the strategy-related decisions by managers across the organization and creates a more productive management posture and counteracting tendencies for decisions to be creative and defensive.
Thus, among the entire things managers do, few affect a company’s performance more fundamentally than how well its management team charts the company’s long-term direction. This is where strategic management becomes a disposable factor.

The concept of strategy is central to understanding the process of strategic management. According to Quinn and Rogers, strategy comes from the Greek word, “strategos” meaning “generalship” and which described the role of general in the command of the army From there, the term strategic planning evolved at about the end of World War II as an alternative course of action. Later, this term came to mean the art of the general, i.e., the psychological and behavioural skills with which he performs his role. By the time of Alexandar, it referred to the skill or employment of forces to overcome opposition and to create a unified system of global government. As time went by, it turned out to mean managerial skills in terms of administration, leadership, oration and power.

The end of the Cold War brought about the globalization era, gradually turning the world into a global village and a single market where the tenets of strategic planning as in “strategos” or “the commanding army” could not withstand the tidal waves of stiff competition of the managerial skills. This situation paved the way for and/or gave rise to strategic management. Thus, the concept of strategy is central to strategic management.

1.4 Definitions Of Strategy

Since the word "Strategy" is central to strategic management it is quite in tune and proper to get the meaning of strategy clear before advancing to strategic management. Certainly, strategy is not an exact science and organizations can apply their individual rules. The best strategy does not

emerge from cook book approach and there are no formulae for calculating the strategy. Strategy is defined in many ways based on the views and experience of the authors. The definitions include:
Ansoff (1965) defines strategy as a rule for making decisions under conditions of partial ignorance whereas policy is a contingent decision.
Business strategy is the broad collection of decision, rules and guidelines that define business scope and growth direction.

Steiner and Miner (1977), define strategy to mean the formulation of basic organization missions, purposes and objectives, polices and programme strategies to achieve them, and the methods needed to ensure that strategies are implemented to achieve organizations ends.
Mintzberg (1979) refers to strategy as the interpretation of the environment and the development of consistent patterns in streams of organizational decisions. On the other hand, Porter (1980) sees strategy as a broad-based formula for how business is going to compete, what its goals should be and what policies will be needed to carry out those goals. The essence of formulating competitive strategy is relating a company to its environment. Also (1980), Quinns describes strategic decisions as "those that determine the overall direction of an enterprise and its ultimate viability in light of the predictable and unpredictable and the unknowable changes that may occur in its most important surroundings environment".

However, Hax (1987) adequately relates strategy to strategic management when he states "the essence of strategy is for a firm to achieve a long-term sustainable advantage over its competitors in every business in which it participates". A firm's strategic management has, as its ultimate objective, the development of its corporate values, managerial capabilities, organizational responsibilities, and operational decision making, at all hierarchical levels and across all business and functional lines of authority.
From these definitions one can, like Quinn and Mintzberg (1991) state that there is no single universally accepted definition of strategy and there is no one best way to create strategy, nor is there any one best form of organization.

1.5 Strategic Management

Strategic management has been defined in many ways by different authors and authorities. There is no absolute consensus on the definition of strategic management. The following are some of the definitions:

- Strategic management is that set of managerial decisions and actions that determines the long-run performance of a corporation. It includes environmental scanning, strategy formulation, strategy implementation and evaluation. (Wikipedia, The Free Encyclopedia On-line).
- Strategic management is a stream of decisions and actions which leads to the development of an effective strategy or strategies to help achieve corporate objectives (Gleck and Juanxh, 1984).
- Strategic management is concerned with the over-all long-range direction of organizations and consequently provides a framework for operational management (Greenley, 1989).
- Strategic management is a systematic approach to a major and increasing important responsibility of general management to position and relate the firm to its environment in a way which will assure its continued success and make it secure from surprises (Ansoff, 1990).
- Strategic management is concerned with deciding on strategy and planning how that strategy is to be put into effect via strategic analysis, strategic choice and strategic implementation (Johnson and Scholes, 1993).
- Strategic management is the decision process that aligns the organizations internal capability with the opportunities and threats it faces in its environment (Rowe et al, 1994).
- From all these, strategic management can be seen as the art or science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives. Other concepts in management that are used sometime or interchangeably with strategic management are strategic planning, business policy and long-range planning.
- Strategic management techniques can be viewed in two major ways. The first is the bottom-up or collaborative processes. Using this approach, the employees initiate a proposal which they subsequently submit to their managers or their superiors, who put the idea further up in the establishment. These proposals may be assessed based on financial criteria and other concrete economic terms such as cost-benefit evaluation and returns on investment. The second is the top-down approach which is more common than any other method. Here, the chief executive officer and his

team decide on the overall direction which the organization should go.

- Although there are diverse opinions on strategic management, it has to do with deriving and describing the strategy, which is common to all organizations whether large, medium, small, public, and private, profit and non-profit making organizations. Strategic management therefore, encompasses the entire enterprise. It looks beyond mere day-to-day operations of the business and focuses on long-term prospects and development of the establishment. In a small business, the single owner may not formalize all these and may do everything including strategic management. In a large business such as in the multinationals, the strategic management is handled at the senior management level. Also, in large establishments there may be a number of interdependent areas of strategy, usually referred to as corporate strategy. This differs a bit from the business strategy which deals mainly with a particular strategic business unit (SBU).
- From the analysis so far, an organizations strategy must be appropriate for its resources, environmental circumstances, the core objectives or goals. This involves identifying the organizations strategic advantage and matching items to the organizations business environment. So, we integrate on organizations goals, policies, missions, profiles and actions effectively and efficiently in order to achieve the organizations objectives. Strategic management aims at creating the future as well as reacting to the changing times. This includes creative leadership, entrepreneurial and innovative dimensions. The strategic management in the 21st century must innovation and good leadership.

1.6 Scope Of The Course

This course deals with Strategic Management Production and the concept of strategic management as it relates to business organizations. It covers the major components of strategic management such as the company mission, vision, policy, profile, objectives and goals. The concept and techniques used in environment industry analysis are subjects treated by this course. Strategy determination, formulation of alternative strategic choice, implementation and evaluation are well treated. The principle of corporate governance is adequately addressed by the course. However, the use of mathematical modelling and statistical permutations in any form are excluded from the course.

Self-Assessment Exercises

1. Explain the concept of strategic management and clearly differentiate it from the concept of strategy.

2.	Why is strategic management important in an organization?

1.7 Summary

The concepts of strategy and strategic management are applied in business as the pattern or plan that integrates an organizations goals, policies and actions together to attain the desire objectives. There is no single model or theory that can incorporate all the factors that influence major business decisions or all the possible combinations of factors that any business my face.
In this unit, you have learnt that there is no universally acceptable definition of strategy and strategic management, and that strategic management is crucial to the sustainable success and survival of both corporate and private business, particularly in a competitive business world.

1.8 References/Further Readings/Web Resources

Hax, A. (Ed) (1957). *Planning Strategies that Work*, Oxford University Press.

Peter, F. Drucker (1974). *Management: Tasks Responsibilities, Practices.* London: Heinman Publishing Coy.

Wendy, R. (1997). *Strategic Management and Information Systems*, 2nd Edition. U.K: Pitman Publishing Coy.

1.9 Possible Answers To Self-Assessment Exercise(S)

Answer to SAEs

1. **Strategy:** Strategy refers to the set of actions and decisions taken by an organization to achieve its long-term goals and objectives. It involves analysing the organization's internal and external environment, identifying opportunities and challenges, and formulating a plan of action to allocate resources effectively and achieve a competitive advantage. Strategy focuses on answering questions like "What should we do?" and "How can we win in the marketplace?" It is essentially the blueprint or roadmap that guides the organization's actions and resource allocation.

Strategic Management: Strategic management, on the other hand, encompasses the entire process of managing an organization's strategy. It involves the formulation, implementation, and evaluation of strategies to achieve the organization's goals. Strategic management is a broader and more comprehensive concept that integrates strategy with other key management functions, such as organizational planning, decision-making, resource allocation, and performance measurement.

2. Strategic management plays a crucial role in organizations for several reasons:

i. Direction and Focus: Strategic management provides a clear direction and focus for the organization. It involves setting long-term goals, defining a vision and mission, and formulating strategies to achieve them. This ensures that everyone in the organization understands the purpose and objectives, and their efforts are aligned towards a common goal.

ii. Adaptation to the External Environment: Strategic management helps organizations adapt to the ever-changing external environment. It involves analysing market trends, identifying opportunities and threats, and formulating strategies to capitalize on opportunities while minimizing risks. By understanding the external landscape and anticipating changes, organizations can proactively adjust their strategies and stay competitive.

iii. Resource Allocation: Strategic management involves allocating resources effectively and efficiently. It helps organizations identify their strengths, weaknesses, opportunities, and threats (SWOT analysis), enabling them to allocate resources where they are most needed and have the highest impact. This includes allocating financial, human, and technological resources to projects and initiatives that align with the organization's strategic priorities.

iv. Decision Making: Strategic management provides a framework for decision making at all levels of the organization. It helps managers make informed choices by evaluating alternative courses of action based on strategic goals and objectives. This reduces ambiguity and subjectivity in decision making, resulting in better choices that align with the organization's long-term direction.

v. Performance Measurement: Strategic management allows organizations to monitor and measure their performance. By setting specific goals and objectives, organizations can track their progress and evaluate their success. Key performance indicators (KPIs) and other metrics are used to assess the effectiveness of strategies and initiatives, identify areas for improvement, and make necessary adjustments to ensure the organization is on track to achieving its objectives.

vi. Competitive Advantage: Strategic management enables organizations to build and sustain a competitive advantage. By analysing the internal strengths and weaknesses and external opportunities and threats, organizations can identify unique value

UNIT 2 CORPORATION AND MANAGEMENT

Unit Structure

1.1 Introduction

In formulating strategies, there are basic components or elements that we usually consider. These include company mission, profile, goals, objectives, strategy and policy. The components are not so cleanly and neatly performed in actual practice. Usually, there is interplay of the elements. The boundaries between the components are hard or difficult to distinguish in practice. For example, establishing a mission may overlap into setting objectives for the organization to achieve both of them involve direction setting for the organization. So, the tasks involved in strategic management are never isolated from everything else that falls within a manager's purview.

1.2 Learning Outcomes (Los)

By the end of this unit, you will be able to:

- analyse the components and characteristics of an effective mission statement.
- discuss the elements included in a company's profile, such as its history, products or services, industry presence, and key achievements.
- identify the purpose and importance of setting organizational objectives.
- analyse different types of corporate strategies, such as growth strategies, diversification strategies, and competitive strategies.
- explain the differences between long-term and short-term goals and their relationship to strategic planning.

1.3 Strategic Management Components

There are many parts to strategic management. These parts are referred to as strategic components or elements. At times they are referred to as strategic planning components when the author interchanges strategic management with strategic planning. These components are explained below:

1.4 Company Mission

The mission of a company is the fundamental, unique purpose that sets it apart from other companies of its type and identifies the scope of its operations in product and market terms. The mission also carefully defines what the company does not do. It is a general statement of the company's intent and represents the view that the senior managers have for the future of the company or what they want it to become or achieve. It is the central purpose for the company's existence and implies the image the company seeks to project. It reflects the company's self-concept and indicates the principal product or service the company attempts to satisfy. Mission statement defines the aspirations, values, roles, growth, goals, survival and profitability of a company. In short, the mission describes the products, market and technological areas of emphasis for the business in a way that reflects the priorities of the strategic decision maker. Rader (1994) enumerates seven characteristics of a powerful mission statement, which are:

- Engaging the imagination with powerful images of target outcome
- Employing images that are clear, concise and compelling
- Expressing strong values and beliefs about the future
- Providing guidance for actions that must and must not be done
- Focusing discussion and shaping choices about consequences
- Challenging one to stretch continually beyond current performance
- Applying to each and every member of the community.

A company's mission reflects the firm's intention to secure its survival through sustained growth and profitability.
Many organizations have improperly defined mission statements in which some are not complete and in which the essential ingredients of the mission statement are not indicated. Some other companies misuse the mission statement as an external device for public relations rather than an integral part of the strategic management. To be able to achieve its objectives, the mission statement must be understandable, applicable and serves to rule out actions.

1.5 Profile

A company's profile is the product of its internal analysis, which determines the company's performance capabilities based on existing or attainable resources. A company's profile depicts the quantity and quality of financial, human and physical resources available to the firm. It assesses the inherent strengths and weaknesses of the company's management and organizational structure. The profile contrasts the historical success of the company and the traditional values and concerns of its management with the company's current capabilities, and attempts to identify the future capabilities of the business. An example can be found in the company's commitment in each of the functional areas of resource development matrix. The firm can easily calculate investment made in each of the functional areas as a basis for better understanding of its comparative and competitive strengths and weakness.

1.6 Vision

According to Robson in 1997, a company vision is synonymous with the company's mission. This means that the alternative name for the company's mission is vision. A company's vision outlines its aspirations and desired future state. It serves as a source of inspiration and sets the direction for the organization's growth. A compelling vision statement creates a sense of purpose and helps to mobilize resources towards achieving long-term objectives. It provides a roadmap for decision-making and enables the organization to adapt to changes in the market. A well-defined vision aligns the efforts of employees and stakeholders, fosters innovation, and contributes to the survival and growth of the organization.

1.7 Goals

A company's goal describes the desired future position the company wants to be.

The selection of the company's goals is based on the defined mission of the company. In a situation where a strategic planning model separates the goals from the objectives, it means that the goals are broad and timeless statements of the end result that the organization considers that they can use to achieve their mission. A goal should clearly state what is to be achieved and when the results will be accomplished. Company goals do not state how the results will be achieved. Organizations normally have multiple goals at the same time all existing in a complex hierarchy. An organization may have a series of less permanent goals that define targets for the organization. All strategic goals affect the organizations overall direction and productivity. Profitability is usually the main goal of many business organizations, no matter how it is measured or defined. A goal is a statement of specifics that quantify the objectives.

1.8 Objectives

The organizations objectives establish the intended nature of the enterprise and the direction in which the organization wants to move. Objectives are those ends or results which the organization set out to achieve through not only its existence but also its operations. A number of different objectives are pursued by business organizations. Some examples include survival, growth, continuity of profit, production at least cost, good quality products or services, quick delivery, meeting target dates, customer and employee satisfaction to mention just a few. Every organization has more than one objective at any given time.

There are at least three major reasons why an organization establishes objectives and why these objectives are important in strategic management. The reasons are as follows:

- Objectives help to define the organization in the environment because they enable the organization to justify its existence and help to attract people who identify with the objectives to work for the organization.
- Objectives help to co-ordinate decision and decision makers. This is because objectives help to direct employees to the required standards of behaviour and reduce conflicts in decision making since all employees know the objectives of the organization.
- Objectives also help to provide standards for assessing organizational performance. Without stated objectives it would be difficult for an organization to evaluate itself or for anybody to evaluate the success or failure of the organization. Therefore, an organizations objectives are very crucial to strategic management Objective therefore, indicates management's intentions towards pursing and accomplishing its mission. Usually, objectives and goals address all the areas of the operation of the company including profitability, sales growth, market share, innovation, productivity, physical and financial resources, risk, public responsibility, manager performances and development.

1.9 Policies

Policies are guides to actions. Polices usually indicate how resources are to be allocated. They equally indicate how tasks assigned to the organization can be accomplished. They enable each manager at the functional level such as marketing, accounting or finance, production and personnel execute the organizations strategy properly. Strategy exists as a collective umbrella for the policy component. Policy should give a broad assessment of the organizations structure, business system and the resources available to the selected strategies. Organizations policies provide a framework for the implementation of any major changes needed to be made in that organization. The polices should provide the key yardsticks or measurements for the expected benefits the strategy intends to produce or yield, so that the success or the failure of the policies can be readily evaluated. Polices are therefore, rules that express the limits within which action should occur. Policies also exist in hierarchy throughout an organization just the way we have the strategic goals.

1.10 Strategy

A strategy is a plan that integrates an organization’s major goal, policies and action sequences into a cohesive unit that is achievable. A well formulated strategy helps to marshal and allocate the organizations resources into a unique and viable positive unit based on its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents. Strategy defines the general direction in which the organization chooses to move to meet its goals in order to achieve its mission. Strategies usually include how to move to achieve desired results. Strategies are often constrained by the nature of the organization such as resources available, capabilities, culture, structure and tradition.

Strategy defines how an organization will not achieve its aims. All management decisions can therefore, be trusted against the rejected approach as a measure of acceptability. The strategy should document the strategic opportunities that are deemed most beneficial to pursue. The strategy should be stated in such a way that the organization will make the best use of what is available and also adequately compensate for its limitation. There is no one best way to create strategy, nor is there one best form of organization.

However, Professor R. Andrews in his book, The Concept of Corporate Strategy describes the central function of the chief executive as leading the continuous process of determining the nature of the enterprise and setting, revising and achieving its goals. He calls this central function “corporate strategy”. He gives the definition as the pattern of decision in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature

of the economic and non economic contributions it intends to its shareholders, employees, customers and communities.
So, Corporate Strategy defines the business in which a company will compete, preferably in a way that focuses resources to convert distinctive competence into competitive advantage.

Self-Assessment Exercises

1. Carefully state the components of strategic management and discuss how critical each of them is to the survival and growth of organization.
2. Explain what you understand by organizations mission, vision, profile, objectives, strategy and goal.

1.11 Summary

Strategic management has many components, which include the organizations mission, vision, goals, objectives and strategy to achieve the aims of the organization's decision makers. Strategic management consists of complex interwoven elements, which are crucial to the survival and growth of the organization.

1.12 References/Further Readings/Web Resources

Robson, W. (1997). Strategic Management and Information System, (2nd ed.). London: Pitman Publisher.

Thomson, A.A & Strickland, A.J III (1987). *Strategies Management Concept and Cases,* USA: McGraw-Hill/Irwin.

1.13 Possible Answers to Self-Assessment Exercise(s) within the content

Answer to SAEs

1. **Company Mission:** The company mission is a crucial component for the survival and growth of an organization. It defines the organization's purpose and serves as a guiding principle for all its activities. A well-defined mission statement helps to align the efforts of employees, stakeholders, and customers towards a common goal. It provides clarity on the organization's core values, target market, and desired impact. By setting a clear mission, an organization can build a strong brand identity, attract customers, and motivate employees, thus contributing to its survival and growth.

    Vision: A company's vision outlines its aspirations and desired future state. It serves as a source of inspiration and sets the direction for the organization's growth. A compelling vision statement creates a sense of purpose and helps to mobilize resources towards achieving long-term objectives. It provides a roadmap for decision-making and enables the organization to adapt to changes in the market. A well-defined vision aligns the efforts of employees and stakeholders, fosters innovation, and contributes to the survival and growth of the organization.

    Company's Profile: The company's profile encompasses its background, history, core competencies, and industry positioning. It provides essential information about the organization's capabilities and areas of expertise. A strong company profile enhances the organization's credibility and reputation, which are vital for survival and growth. It helps attract customers, investors, and talented employees who align with the company's values and objectives. A well-established company profile creates trust and confidence in the market, facilitating partnerships and collaborations that can contribute to the organization's growth.

    Organizational Objectives: Organizational objectives are the specific goals and targets that an organization sets to achieve its mission and vision. These objectives provide a clear roadmap for progress and success. They help prioritize activities, allocate resources effectively, and measure performance. By defining and aligning objectives across different departments and levels of the organization, it ensures that everyone is working towards common goals. Clear and well-communicated objectives drive focus, motivation, and accountability, thereby supporting the survival and growth of the organization.

Corporate Strategy: Corporate strategy encompasses the overall plan and approach adopted by an organization to achieve its objectives and fulfill its mission. It involves making critical decisions on market positioning, resource allocation, product development, partnerships, and expansion. A well-formulated corporate strategy aligns the organization's internal capabilities with external market opportunities, enabling it to gain a competitive advantage. It helps the organization adapt to changing market dynamics, identify growth opportunities, and mitigate risks. An effective corporate strategy is essential for the survival and sustained growth of the organization.

Company's Goals: Company goals are specific and measurable targets set by an organization to accomplish its strategic objectives. These goals provide a roadmap for progress and serve as milestones along the journey towards the vision. They can be short-term or long-term, and they help to focus efforts, motivate employees, and track performance. By setting ambitious yet achievable goals, the organization can drive innovation, productivity, and continuous improvement. Well-defined and aligned goals contribute to the survival and growth of the organization by providing a clear direction and fostering a culture of excellence.

2. **Mission:** An organization's mission is a concise statement that outlines its fundamental purpose, reason for existence, and the primary activities it undertakes. It describes what the organization does, who it serves, and the value it aims to provide to its stakeholders. The mission statement often encapsulates the organization's core values and serves as a guiding principle for decision-making and goal setting.

Vision: An organization's vision is a long-term aspirational statement that defines its desired future state. It represents the organization's ultimate goals, the impact it aims to make in the world, and the ideal state it strives to achieve. The vision statement provides a sense of direction and inspiration to guide the organization's actions and strategic decisions.

Profile: An organization's profile refers to the comprehensive overview and description of the organization. It includes information such as its history, background, nature of operations, industry or sector it operates in, size, geographical presence, key products or services, target market, and any unique attributes or distinguishing factors.

Objectives: Objectives are specific, measurable, and time-bound goals that an organization sets to achieve its mission and fulfill its vision. Objectives are typically more detailed and actionable than the mission and vision statements. They represent the specific outcomes or results the organization aims to accomplish within a given timeframe. Objectives are often broken down into smaller, manageable targets to guide the organization's operations and ensure progress toward the overall mission and vision.

Strategy: An organization's strategy refers to the approach or plan it adopts to achieve its objectives and fulfill its mission and vision. It involves analysing the internal and external environment, setting priorities, making choices, allocating resources, and defining the actions required to attain the desired outcomes. A well-defined strategy provides a roadmap for the organization, aligns its activities, and guides decision-making across various levels and functions.

Goals: Goals are specific, measurable, and time-bound targets that support the achievement of an organization's objectives. Goals are often derived from the broader objectives and provide more specific and quantifiable targets. They help organizations track progress, evaluate performance, and ensure that efforts are focused on the desired outcomes.

UNIT 3 FUNDAMENTAL APPROACH TO STRATEGIC MANAGEMENT

Unit Structure

1.1 Introduction

This third unit of Strategic Management course introduces you to the fundamental approach to strategic management. It deals principally with strategic management elements involved in strategic management process. In this unit, you will learn about models of strategic management elements involving strategic analysis and choice. Mention will be made on generation of strategic options, evaluation of strategic options and selection of a strategic option. This unit will also explain how the different strategic management processes are interrelated and interwoven.

1.2 Learning Outcomes (Los)

By the end of this unit, you will be able to:

- Understand the key concepts and principles of strategic management.
- evaluate how industrial factors, such as market dynamics, competition, and technological advancements, influence strategic decision-making.
- acquire knowledge and skills to conduct a comprehensive strategic analysis, including assessing the internal strengths and weaknesses of an organization and analysing the external opportunities and threats.

- identify how the external environment, such as industry trends, market forces, and regulatory factors, impacts strategic decision-making.
- Develop skills in generating a range of strategic options through techniques like brainstorming, scenario planning, and innovation.

1.3 Fundamental Approach to Strategic Management

The approach to strategic management should be an integrated one. The approach should bring together various aspects of management such as marketing strategy, strategic planning, financing strategic formulation, choice (selection) implementation, evaluation including strategy on Information Communication and Technology (ICT). A comprehensive tool box approach to techniques and their application should be adopted for the entire discipline of strategic management. Therefore, for effective coverage of the strategic management course, the entire discipline is divided into fifteen units. These units are indicated in the Course Guide. This approach is quite in order since strategic management is a solid foundation within which all the functioning management practices are bundled or put together.

The general approach could be broadly divided into two opposing but complementary approaches, which are as follows (Wikipedia, free encyclopedia):

a. Industrial organizations approach which is based on economic theory and deals with issues such as competitiveness, resources allocation and economies of scale. The assumption underlining this approach includes self discipline and profit maximization.
b. Sociological approach, which deals primarily with interactions. The assumptions of the approach include satisfying behaviour sub-option profit and bounded rationality. An example of a company that currently uses this approach is Google.

Strategic management techniques can also be viewed as bottom-up, top-down or collaborative process. The bottom-up approach involves the employees' submitting proposals to their respective managers who, in turn, channel the best ideas further up the organization ladder. The proposals are accompanied by capital budgeting process. Each proposal is then assessed based on financial criteria such as cost-benefits analysis and return on investment. Any approved proposal then forms the substance of a new strategy. All these may be done without a grand strategic design. The most common approach is the top-down approach. In this practice, the chief executive officer (CEO), with the assistance of his strategic planning team, takes decision on the overall direction the company should go.

In addition to these two major approaches, some organizations have started experimenting on corroborative strategic planning techniques that recognize the emerging nature of strategic decisions.

1.4 Strategic Management Process

Strategic management process (SMP) can be an objective, logical systematic approach for making major decisions in an organization. SMP attempts to organize qualitative and quantitative information in a way that allows for effective decision making under conditions of uncertainty.

Strategic management process (SMP) can therefore, be defined as the way the strategists determine corporate objectives and make strategic decisions. The strategic decisions are designed to achieve ends or to achieve organizations objectives. SMP consist of three stages, namely, strategy formulations, strategy implementation and strategy evaluation.
However, some schools of though see SMP as consisting of two sub-processes which are strategic planning (SP) and strategic implementation (SI). In this, the SP process is broken down into analysis/diagnosis and choice while the SI sub-process is broken down into implementation and evaluation. This gives rise to the formular:

SMP = SP + SI = Analysis/Diagnosis + Choice + Implementation + Evaluation

The planning has to do essentially with the work programme. All senior management officers from all major functions of the organization should be involved in planning. A planning committee may be set up to be in charge. The planning officer is the catalyst and co-ordinator to make sure the plan is implemented. The planning committee may be responsible for the strategic planning
Strategic management process has been presented in various models. However, the model we shall adopt here is that of strategic decision-making process proffered by Johnson and Scholes (1993). The model consists of three interacting elements: strategic analysis, strategic choice and strategic implementation.

Johnson and Scholes model representation is adopted because it is convenient to use, well known and is used by many authors. For instance, it was used by Dess and Miller (1993) and Rowe et al. (1994). It is such a powerful model that we can use to organize our thoughts without losing sight of the interacting nature of the elements. However, it is important to note that the purpose of each model is the same in

every case, which is to provide a vehicle through which to explain something complex, even if the preference as to names may differ a bit. The strategic decision-making process produces the strategy itself as made up of three interacting elements.
Fig. 1 is structured around the convenient model for studying and understanding the complexity of the strategic management process as three interacting elements that Johnson and Scholes (1993) present. The figure shows that SMP comprises mainly strategic analysis, choice and implementation.

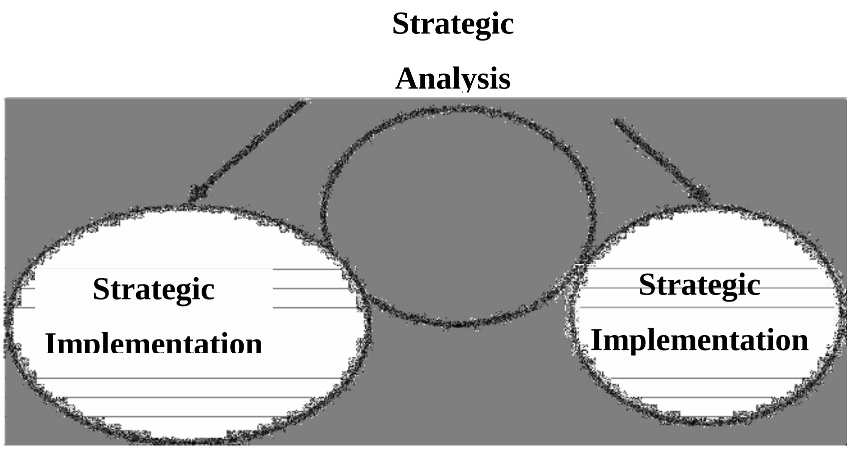


Fig. 1: Model of strategic management (adopted from Johnson and Scholes: (1993)

1.5 Strategic Analysis

Strategic analysis is part of overall management process which is concerned with attempts to understand the strategic position of the organization, to consider goings-on in the environment and judge how the happenings can affect the organization. It also considers the organizations strengths and weaknesses with respects to the happenings and assesses the feelings of the stakeholders. Strategic analysis actually helps to form a picture of the factors that influence the organization so that it can be informed of the strategic choice element of the overall strategic management process. Johnson and Scholes (1993) identify three factors in strategic analysis, namely

- environment
- values and objective
- resources.

In explaining fig. 2, it means that good managers must constantly be abreast of what is happening in the organization's environment. They should know how changes taking place in the environment may affect organizations available resources, strengths of the organization and weaknesses. This is equated with the culture of the organization, including management style and relative power of the stakeholder group. Values and objectives will influence the acceptability to each stakeholder group. Through the perception of acceptability other influence, may come since organizations exist in a complex environment with enormous set of variables. The resources provide the internal influences on strategic choice. The analysis of resources aims to build its picture.

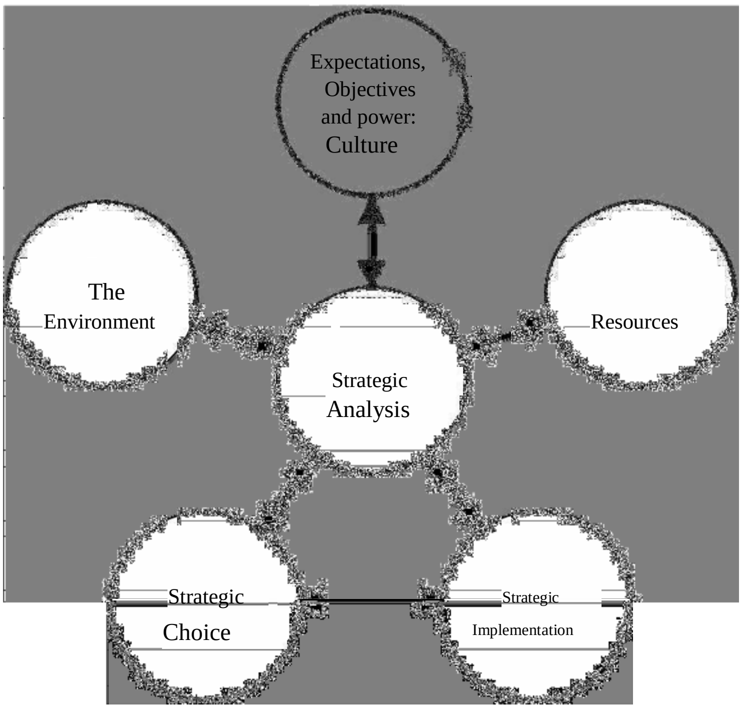


Fig. 2: Three factors in strategic analysis (Johnson and Scholes, (1993)

It is clear therefore, that strategic analysis is not a static snapshot event but a continuous process since the strategic choices and their implementation impact upon the environment, culture and resources of the organization.

1.6 Strategic Choice

The choice element is the SMP is concerned with choosing a strategy based upon the foundations laid by strategic analysis. A good manager must be able to generate and evaluate possible strategy taking the nature of the organization into consideration. The three issues of concern are risk, structure and culture of the organization.

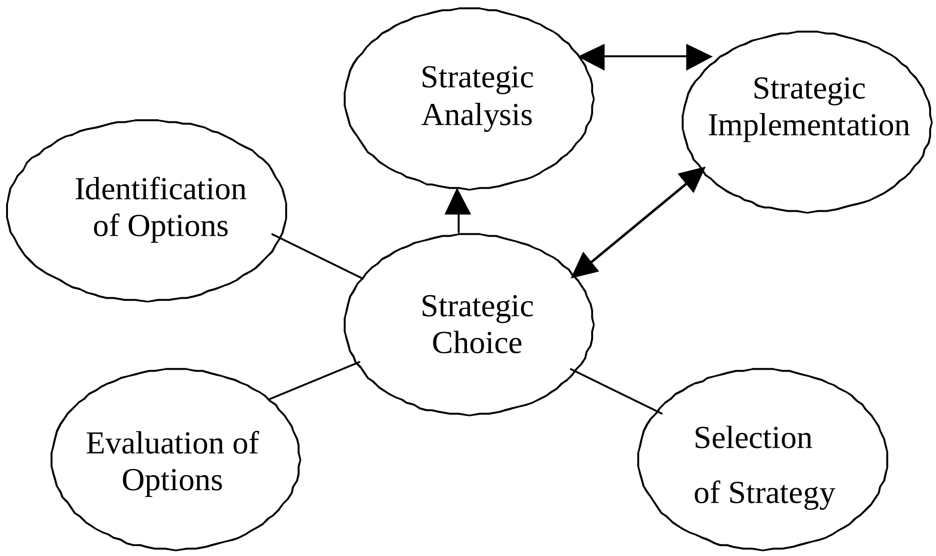


Fig. 3: Three elements of strategic choice (Author's explanation)

The elements associated with making strategic choices involve three main factors as identified by Robson (1997) which are: (a) identifying the options, (b) evaluating those options and (c) selecting an option.

1.6.1 Generating Strategic Options

This involves identifying as many options as possible among potential courses of action. It is usually difficult, if not impossible, to identify all these as only the very obvious ones are often identified and considered.

1.6.2 Evaluating Strategic Options

Evaluation of strategic options is per formed within the framework of strategic analysis. The alternative strategies listed in the strategic option have to be tested using three main criteria of

- strategic fit, (suitable)
- feasibility
- acceptability.

1.6.3 Selecting Strategic Options

The selection of strategic option may result in a single strategy to be adopted by the organization. It can also result in a strategic set to be adopted in the strategic implementation of the process. The culture and the power structure of the organization have a significant impact on the strategy selection process.

Fig. 4 describes the general model of strategic management element arising from the three major concepts of strategic analysis, strategic choice and strategy implementation. The subsequent units of this course shall be devoted to the other elements of strategic management as indicated in Fig. 4.

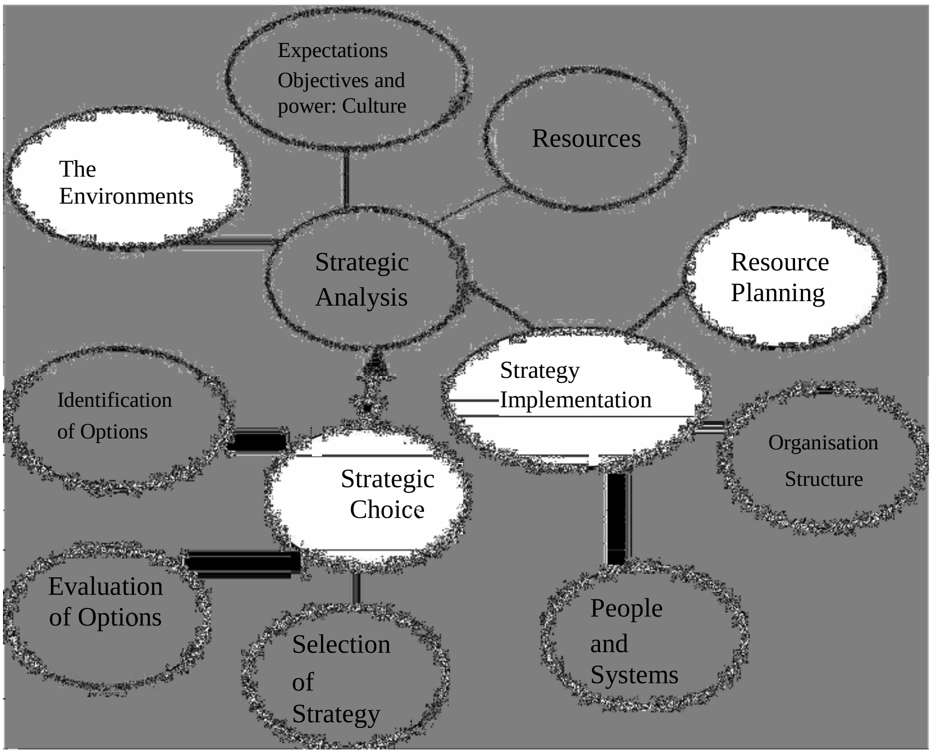


Fig. 4: Model of strategic management elements (Adopted from Johnson and Scholes, 1993).

Self-Assessment Exercises

1. Explain the three interacting elements of strategic management process.
2. In an uncertain and ambiguous world, do you think that the theories of strategic management can work?

1.7 Summary

In order to achieve corporate objectives and organizational goals, strategists must make strategic decisions and formulate strategies. The processes involved have been variously defined but basically include strategic analysis, choice implementation and evaluation.

1.8 References/Further Readings/Web Resources

Charles, W. L. & Hill, G.R. Jones (2006). Strategic Management Theory: An Integrated Approach, ISBN.

Fred, D. (2006). Strategic Management: Concepts and Cases, Prentice Hall (2006) ISBN 0-131-86949-3.

Robinson W. (1997). Strategic Management and Information System.

1.9 Possible Answers to Self-Assessment Exercise(s) within the content

Answer to SAEs

1. Strategic Analysis: Strategic analysis involves assessing and understanding the internal and external factors that can impact an organization's strategic decisions. It is a critical component of the strategic management process as it provides the foundation for developing effective strategies. In strategic analysis, organizations conduct a thorough evaluation of their strengths, weaknesses, opportunities, and threats (SWOT analysis) to gain insights into their competitive position, market trends, customer needs, and other relevant factors. This analysis helps identify strategic issues, challenges, and potential areas for growth or improvement.

Strategic Choice: Strategic choice refers to the process of selecting the most appropriate strategy from various alternatives generated during the strategy formulation stage. It involves evaluating and comparing different strategic options based on their feasibility, compatibility with the organization's resources and capabilities, potential for competitive advantage, and alignment with the organization's goals and objectives. Strategic choice may involve making decisions related to market segmentation, product positioning, competitive advantage, diversification, strategic alliances, or other aspects of the business. The chosen strategy sets the direction for the organization and guides resource allocation and implementation efforts.

Strategic Implementation: Strategic implementation is the process of translating the chosen strategy into action. It involves executing the strategies and initiatives outlined in the strategic plan to achieve the organization's goals and objectives. Strategic implementation requires effective coordination, communication, and allocation of resources throughout the organization. It often involves aligning various functional areas, establishing clear responsibilities, setting targets, developing action plans, and monitoring progress. Successful implementation requires strong leadership, organizational commitment, and the ability to adapt to changing circumstances. Regular performance monitoring and evaluation are essential to ensure that the implemented strategies are on track and to make adjustments as needed.

2. In an uncertain and ambiguous world, the theories of strategic management can still be valuable tools for organizations. Strategic management provides a structured framework for analysing the internal and external environment, setting goals, and formulating strategies to achieve those goals. While the specific application of strategic management theories may need to be adapted to suit the unique circumstances of uncertainty and ambiguity, the fundamental principles can still guide decision-making and improve organizational performance.

Here are a few reasons why strategic management theories can be effective even in uncertain and ambiguous environments:

i. Flexibility and Adaptability: Strategic management emphasizes the need for organizations to be flexible and adaptable to changing circumstances. This approach encourages organizations to regularly assess and reassess their strategies, enabling them to respond to unexpected events and seize emerging opportunities. By continuously monitoring the environment and making necessary adjustments, organizations can navigate uncertainty more effectively.

ii. Risk Assessment and Mitigation: Strategic management theories emphasize the importance of risk assessment and mitigation. In an uncertain and ambiguous world, understanding and managing risks becomes even more critical. Strategic management provides tools and frameworks to identify, assess, and prioritize risks, allowing organizations to develop contingency plans and allocate resources accordingly.

iii. Competitive Advantage: Strategic management theories aim to create and sustain competitive advantage for organizations. While the sources of competitive advantage may evolve in an uncertain environment, the principles of understanding customer needs, leveraging core competencies, and differentiating from competitors still hold true. Strategic management helps organizations identify and exploit opportunities, positioning them favourably in the marketplace.

UNIT 4 ENVIRONMENTAL ANALYSIS

Unit Structure

1.1 Introduction

This unit of strategic management course exposes you to the business of industry environmental analysis and diagnosis. The business environment comprises both external and internal environment, which are complex and are constantly changing. There are many environmental factors that directly or indirectly impact on a particular business. They include factors that are beyond the control of the business organizations. To sustain business and also survive in the competitive environment, the strategist must understand his environment through critical and objective analysis using certain criteria. The impact of some necessary changes and their implications on the business organization must be analysed and appropriate strategic decisions made.

1.2 Learning Outcomes (Los)

By the end of this unit, you will be able to:

- define the key elements and factors that influence the industry environment.
- identify and describe the components of the external environment, such as competitors, customers, suppliers, and the overall market.
- identify the factors that contribute to the failure or success of environment analysis, such as the accuracy and relevance of information gathered, the ability to anticipate and adapt to changes, and the alignment of analysis with organizational goals.
- analyse the impact of socio-cultural factors on business organizations, including cultural values, consumer behaviour, and social trends.

- recognize that the business environment is dynamic and subject to constant change.

1.3 Meaning of Business or Industry Environment

The environment of an organization could either be internal or external. The external analysis is often referred to as environmental analysis while the internal analysis is the company analysis or strategic advantage analysis. The environment of an organization includes factors outside the firm which can lead to opportunities for or threats to the organization. In business, the environment of an organization is the pattern of all external conditions and influences that effect organizations life and development. The relevant environmental factors include the total business community, the city or town, the entire country and the world at large.
They also include technological, economical, physical, social and political factors.

The corporate strategist must be aware of these features in the environment. There should be awareness that change is taking place at varying rates in all the environmental factors. Change usually is fastest in technology, perhaps closely followed by political changes particularly in developing countries which are politically unstable. Change in the environment of business necessitates continuous monitoring of a company’s definition of business.
Otherwise, it may fail by becoming obsolete at the time it comes on stream. The effect of competition in the company’s environment should not be overlooked. The strategist should be able to monitor environmental factors well to determine opportunities for threats to the organization. Environmental diagnosis consists of management decisions made and assessing the significance of the data (opportunities and threats) of the environmental analysis.

Environmental analysis and diagnosis give strategists time to anticipate opportunities and plan to take optional responses to the opportunities. It helps the strategist to develop an early warning system to prevent threats or develop strategies, which can turn threat to the organizations advantage. The analysis of the environmental is important in that it increases the quality of the strategic decision making by considering a range of the relevant features well in advance before the need to make irrevocable decision.
The strategy of any organization should be directed at exploiting the environmental opportunities and to blocking the environmental threats in a way and manner consistent with the organization’s internal capabilities. This is porter’s concept of environmental fit which allows the organization to maximize its competitive position.

The success or failure of environmental analysis depends largely on the characteristics of the environment such as the complexity of the environment, the rate of change and the cost of available information about the environment in which an organization float. The following process may be followed:

- Audit the environmental influences.
- Assess the nature of the environment to determine the level of complexity or environment.
- Identify the key environmental forces (using Porter's five forces model).
- Identify the competitive position of the organization (using a life circle).
- Identify the major opportunities and threats (using SWOT/TOWS analysis).

1.4 Nature of the Environment

1.4.1 External Analysis

An organizations environment comprises all the events, issues and facts which can influence its performance, but over which the organization has little or no influence. The external environment is beyond the control of the organization. The societal environment constitutes conditions that have a broad, rather than direct influence on the organization. These conditions include demographic, natural, political, cultural and economic factors. All these put together constitute the world within the organization functions and operates.

Demographic Factor: This includes aging of population, geographical population shifts, population growth and better educated populace.

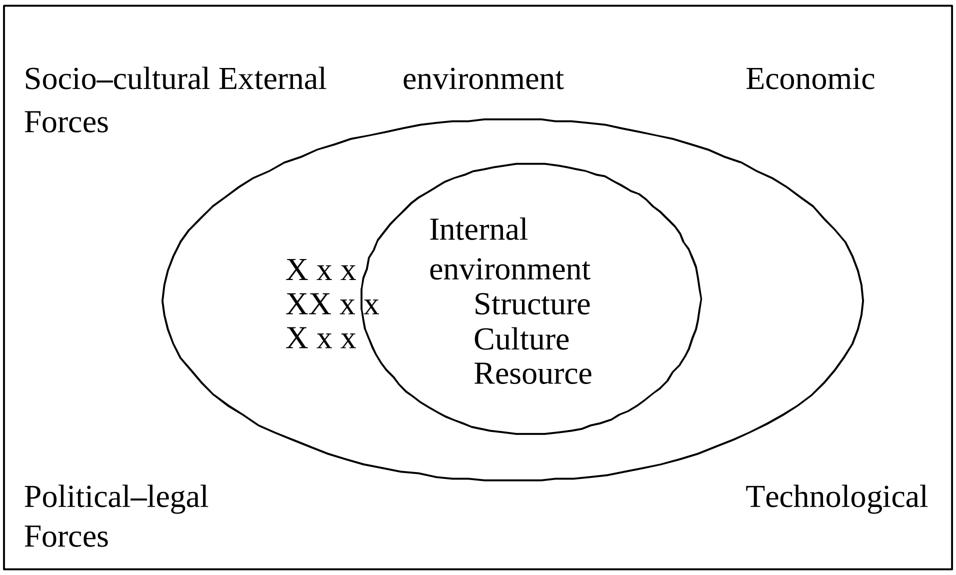
Natural Factor: This includes pollution levels, natural resources management, and increased energy cost, raw material availability.

Political Factor: This includes international trade, investment incentives/controls, fiscal/monetary policies, industrial policies, consumer policies, labour policies and regional policies.

Cultural Factor: This includes status of women and minorities, changes in the family life style, decline in the traditional life style, improved living standard, shifts to less work and more leisure.

Economic Factor: These are gross national product, personal income, employment and unemployment level, inflation rate, government spending and availability of capital.

There is also a task environment which has a major and impact on the organization and its strategic planning process among which are the nature of competition in any particular market. The nature of



competition is very important since it impacts on the profitability and scope of strategic manipulations in the market as shown in Fig. 5

Fig. 5: The organisational development (adapted from Wendy Robson, 1997)

Among the elements of the external environment as indicated by Wendy Robson are the following:

Socio-Cultural Forces

These include life-style changes, career expectations, rate of family formation, consumer activities, population growth rate, age distribution, regional shifts, urban-rural migration, birth rates and life expectancies. The strategist must be abreast of the social developments in the environment which may include the increasing rate of crime, demands by women for recognition and opportunity.

Economic Forces

These include gross national product (GNP) trends, interest rates, money supply, inflation rates, unemployment levels, wage/price control, devaluation/revaluation, availability of energy and cost. The consequences of both national and international economic trends need to be monitored in great detail by any company so that the company will not be taken by surprise by the changing world.

Technological Forces

Organizational spending on research and development (R&D), focus of technology efforts, patent protection, new products, new development in technology, transfer from laboratory to market place and productivity improvement through automation. Technology, developments are the fastest unfolding and the most far reaching in extending and contracting the opportunity for any company.

Legal Forces

These include antitrust regulations, environmental protection laws, tax laws, special incentives, foreign trade regulations, attitudes towards foreign companies, laws on hiring and promoting, stability of government. The importance of political forces to the business must be considered. The relationship between the private companies and government owned establishment is also important.

Also including in the environmental analysis is the task environment which includes the following:

Demand

Among the demand factors are size and growth of the existing market, number/size and distribution of customers, physical distribution channels, nature of market competition (price and non-price competition).

Market structure

Market structure factors include number/size distribution of competition and suppliers, barriers to entry or exist to market product characteristics and product life cycles. Environmental analysis must include want for the company's products or services. There must be effective market segmentation which will divide the market to pieces that are identifiable, substantial enough to be profitable and defensible against competition.

Technology

This includes the level of technology and likely changes, cost structure including economies of scale, dependence on particular raw material or labour.

Government

Government polices, taxation and legislative apparatus are important in environmental analysis. The impact of particular legislation on the industry relating to product or consumption as well as role of the government as supplier, competitor or customer is a significant environment factor.

1.4.2 Internal Analysis and Diagnosis

The internal analysis is also called the strategy advantage analysis and diagnosis.
It is the process by which the strategist examines the firm's market and distribution, research and development, production and operations, corporate resources and personnel finance and the accounting function to determine where the firm has significant competencies so that it can most effectively exploit the opportunities and also meet the threats to the company's weaknesses which would need to be minimized, if not eliminated, in order to achieve corporate objectives.

Even where competence to exploit an opportunity is nurtured by experience, the level of that competence may be too low for any great reliance to be placed on it. It would be good to always be able to ascertain the distinctive ability that could be brought to a company or firm that could attract customers away from other competitors.

The distinctive competence of an organization is more than what it can do; it is more of what it can do very well. One has to consider the present strength of opportunities. Take the old typewriter, for instance, handwriting that a simple. The typewriter is found to contribute to a broad range of informed action processing functions, any of which might have suggested an area to be exploited by the manufacturer. However, these opportunities where not exploited until IBM did the electric typewriter and the computer-related input-output devices.

Apart from looking at the functions to which the present products contribute, it may be more profitable to identify the skill that underlines whatever successes have been achieved.
Therefore, we should look beyond the company's capacity to invest new products. New products are the only major highways to new opportunities. Other avenues may include new marketing services, new distribution methods, new values in quality, price combinations and creative merchandising. The effort to find or create a competence that is truly distinctive may hold the real key to a company's success and future development.

At any rate, opportunity must be matched with competence after each has been accurately identified and its future significance esteemed. It is this combination that establishes a company's economic mission and its position in its environments. The combinations should minimize organizations weaknesses and maximize its strength.

An essential part of strategic analysis is assessing the effects of possible change in the environment. According to Robson (1997), there are two steps to the process:

(i) to consider how the societal, task/or internal environmental factors may change to assess the strategic implications of such changes for the organization.

Brannan (1992) refer to the potential major changes facing business organizations as a “complex web of near chaos. He described the possible framework for such changes as PEST, political, economical, sociological and technical developments. For an organization to sustain its business and remain competitive there must be constant, effective and environmental analyses to inform and allow the strategic decisions that keep the organization competitively healthy to be made. Quit often, change in the business environment could be very expensive and difficult. At times, it could be psychologically difficult to bear while strategic adjustments become increasingly difficult. However, the suggestion of Brannan on how to deal with interpreting change is not to forecast the future but to consider a range of futures which he calls scenario planning.

Self-Assessment Exercises

1. Explain the concept of environmental analysis and internal environment of an industry.

1.5 Summary

The business or industry environment is broadly divided into two, namely, external environment and internal environment. The external environment is largely beyond the control of the organization. Thus, the strategist must always carry out an analysis of his environment and consequently formulate strategies to suit the environment. Factors such as socio-cultural, political, legal, technological, economical, competitive and government policies are major influences to an organization.
The internal environment largely comprises the structure and culture of an organization and their manipulation to a certain degree depending on the strategic decision markers.

1.6 References/Further Readings/Web Resources

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1.7 Possible Answers to Self-Assessment Exercise(s) within the content

Answer to SAEs

1. Environmental analysis refers to the process of evaluating and understanding the external factors that can impact an industry or organization. It involves studying the political, economic, social, technological, environmental, and legal (PESTEL) factors that influence the business environment.

The PESTEL framework helps identify and analyse various external factors:

- Political factors: These include government policies, regulations, and political stability that can affect the industry. For example, changes in trade policies or taxation laws can have significant implications for businesses.
- Economic factors: These factors encompass the economic conditions such as inflation, interest rates, economic growth, and unemployment rates. Understanding these factors helps assess the overall economic health of the industry and its potential for growth.
- Social factors: Social factors include cultural trends, demographics, lifestyle choices, and consumer attitudes. Analysing social factors helps identify market preferences, target audiences, and consumer behaviour.
- Technological factors: Technological advancements can profoundly impact industries. Analysing technological factors involves understanding the rate of technological change, innovation, and the impact of new technologies on products, services, and processes.
- Environmental factors: Environmental factors encompass ecological and environmental aspects such as climate change, natural disasters, sustainability, and resource availability. Industries need to consider these factors to ensure sustainable practices and minimize environmental impacts.
- Legal factors: Legal factors refer to the laws, regulations, and legal frameworks governing the industry. Compliance with these regulations is essential to avoid legal issues and maintain ethical practices.
- On the other hand, the internal environment of an industry or organization refers to the internal factors and resources that affect its operations, strategies, and performance. It includes:

- Organizational structure: This refers to how the company is organized, including its hierarchy, departments, and reporting lines.
- Company culture: Company culture encompasses the values, beliefs, norms, and behaviours shared among employees

UNIT 5 SWOT ANALYSIS

Unit Structure

1.1 Introduction

This unit is about SWOT analysis, which has to do with the analysis or evaluation of the strengths, weaknesses; opportunities and threats (SWOT) to an organization. The strengths and weaknesses deal with the internal circumstances of an organization while the opportunities and the threats deal with the external environment of the organization. Strategies need to be formulated to handle the respective outcomes of the SWOT analysis. Strategy identification is essential in tackling future events. To succeed, SWOT analysis must be done with sincerity and honesty. SWOT analysis however, does not have the in-built mechanism to handle the future uncertainties.

1.2 Learning Outcomes (LOs)

By the end of this unit, you will be able to:

- explain the meaning of SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis in a business context.
- explain the importance and benefits of conducting a SWOT analysis for businesses, such as identifying competitive

advantages, understanding market dynamics, and making informed strategic decisions.

- describe the factors that can be considered as opportunities and threats in a business environment. This may include analysing market trends, competitor actions, regulatory changes, technological advancements, and other external factors that can impact the organization.
- identify and assess the internal strengths and weaknesses of a business. This involves analysing the organization's resources, capabilities, competitive advantages, and areas where improvement is needed.
- discuss the risks and negative consequences associated with conducting a dishonest or biased SWOT analysis. This may include distorting information, ignoring critical factors, or manipulating the analysis to achieve desired outcomes.
- identify and explain the different types of strategies that can be derived from a SWOT analysis. This may include leveraging strengths, addressing weaknesses, capitalizing on opportunities, and mitigating threats through various strategic approaches.
- explain alternative frameworks, variations in terminology, or additional dimensions that authors have proposed to enhance or modify the traditional SWOT analysis.
- identify the significant limitations and criticisms associated with SWOT analysis.

1.3 Definition and Meaning of SWOT

This is the analysis and evaluation of strengths, weaknesses, opportunities and threats (SWOT). This concept of SWOT can be used to classify and explain any situation. Strengths and weaknesses fall under the internal environment of an organization and therefore can describe the internal circumstances of such an organization. On the other hand, opportunities and threats adequately express the circumstances of the external environment.

SWOT analysis is often presented in matrix form although it is used to explain a complex practical reality. When the two factors internal and external become more vivid, clear strategic analysis as described by Weihrich (1982) is adopted.

1.4 SWOT Matrix Model

Table 1: SWOT Matrix Model

Internal Factor	Strengths Opportunities	Weaknesses Opportunities
External Factor	Strengths Threats	Weaknesses Threats

You may have to go through the following process to be able to fill out matrix.

- Prepare an enterprise profile showing the kind of business, the geographic domain, the competitive situation and top management orientation.
- Identify and evaluate the economic, social, political, demographic, products and technology, market and competitive factors.
- Prepare a forecast; make predictions and assessment of the future.
- Prepare a strength and weaknesses audit in the management and organizations operations, finance, marketing and other key areas.
- Develop alternatives.
- Make strategic choices by considering strategic tactics and action.
- Prepare contingency plans.

A careful observation of SWOT analysis indicates that it defines the relationship between the internal and external appraisal in strategic analysis. It concerns the identification and analysis of the environment. When SWOT analysis is properly carried out, and the basic internal strengths and weaknesses of the organization are well analysed and identified, the organization should be able to know the appropriate strategy or strategies to adopt. Every organization should be able to apply the SWOT analysis to its competitors, suppliers, customers and even to itself. When this is done, the organization will be able to realize its own position within the industry.

1.5 Opportunities and Threats in Business Environment

The external forecast can be used to identify opportunities and threats in the business environment. These are illustrated as follows:

1.5.1 Opportunities

These include high growth rate in the served market, government legislation which increases the need for the organizations product, new raw material which can enhance product quality and weak competitor in a served market.

1.5.2 Threats

These include new technologies that obsolete the company's products, industry overcapacity which increases price competition, legislation causing major operating changes and aggressive price competition in a served market.

1.6 Strengths and Weaknesses in Business Environment

Just as in opportunities and threats, external forecast can be used to identify strengths and weaknesses in the environment. The analysis of strengths and weaknesses relative to competition require honest assessment. The task involved is analysis of position in the industry, determination of the successes factors in the industry, identification of strengths and weaknesses and assessment of competitive position. At the end of these, such questions like, where are we? Where have we been? Where are we going? would have been answered.

To be able to adequately identify strengths and weaknesses we need to concentrate on the past and the present. Theses strengths and weaknesses may include:

1.6.1 Strengths

These include leadership in innovative product design, exceptional employer and employee communication, understanding and relationship. They also cover highest level of automated production in the industry, highly motivated field sales force and superior product quality.

1.6.2 Weaknesses

The weaknesses include antiquated manufacturing and office facilities, out-of-date information systems, cash flow difficulties, limited supply of some raw materials and limited management in-dept.
A major weakness in an environment may be a very strong competitor which will obviously necessitate competitor's analysis. An analysis of key competitors will provide answers to these questions: Who are they? What are their resources? Who are their customers? Why are they so successful?
We should seek to know how competitors will react to our strategies. For instance, how will they react to market changes? Where are they most vulnerable? Where are they strongest? Where is the most appropriate battleground to fight them and how?
We should also know if our weakness arises from our product lines, particularly with respect to performance trends in selling prices, labour costs and gross profit.
A company's weaknesses may also be as a result of the weaknesses in its functional areas such as marketing, engineering design and production, manufacturing, financing and human resources. Different strategies will be required for the different observed and identified weaknesses.

1.7 Strategies Indicated by SWOT Analysis

The thrust of these is that there must be a separate strategy to take care of each market segment. The Boston Consulting Group (BCG) matrix categorizes businesses as stars, cash cows, question marks and dogs. There are separate strategies for each strategic business unit (SBU).
The various strategies that are suggested by a good SWOT analysis are hereby presented. The strategies are called by various names by different authors.

1.7.1 Maxi-Maxi

This is a situation in which the organization is playing from a position of strength to an opportunity. So, the business objectives are meant to overcome external threats in order to focus on this segment. It is referred to as **EXPLOIT** by Rowe et al (1994).

1.7.2 Mini-Maxi

The appropriate strategy for this segment is the one that minimises weaknesses and maximises the opportunities. Such an opportunity exists but requires strength where the organization currently experiences a weakness. Therefore, a strategic action is needed to remove the weaknesses and prevent the opportunity from going to the competitors. Rowe et al (1994) call this segment **SEARCH**.

1.7.3 Mini-Mini

The strategy for this segment should be such that the threat and weakness will be reduced. The situation is precarious. So, the organization should adopt a strategy that can avoid this kind of situation. It is termed **AVOID** by Rowe et al (1994).

1.8.4 Maxi–Mini

An appropriate strategy for this particular business condition is the one that uses the strength of the organization in order to defend or avoid the threat. However, caution must be exercised in order to avoid unnecessary and costly competitive battles. Strategic options that circumvent the threat should first be considered and preferred. Rowe et al. (1994) refer to this strategic segment as **CONFRONT**.

Identification of a strategy is essentially about tackling the future. This must be based on a realistic and factual evaluation or appraisal of an organization's past and present performance. Identification of opportunities and threats alone are not enough bases for developing strategies. To do this the organizations strategy must consider organizations resources and competitiveness. The strategy could only source energy from the results of the combined assessment of the market attractiveness and business strength. So, it is very crucial to conduct resource analysis and capabilities. The main aim of such an exercise is to use the strategy pointers to assist in using existing business strengths to exploit the opportunity. It is possible to use it to create new opportunities, to counteract the threats and repair the weaknesses. For strengths to be useful this way, they must be carefully, realistically and critically identified, evaluated or assessed. If the organization uses the same techniques to assess competitors, the organization can then capitalize on the weaknesses of the competitors and avoid going ahead against their strength.

SWOT analysis, especially when it forms part of environmental analysis, is referred to as the TOWS matrix. However, Rowe et al. (1994) refer to it as WOTS-UP analysis and offer some suggestions on each of the matrix segment. Whichever way we may look at it, SWOT analysis is a systematic method of matching environmental threats and opportunities with the organization's strengths and weaknesses.

One critical aspect of SWOT analysis is the tendency to cover up feared weaknesses resulting in a less than honest appraisal of SWOT. In such a situation, perceived strengths can be proclaimed rather than the weaknesses observed. This less than honest SWOT analysis can be used to generate strategic options and forms part of the strategic choice element.

1.8 Limitations of SWOT Analysis

Although SWOT is future oriented, it does not have any in-built mechanism for handling the uncertainly of the future, nor does it give any holistic model of the organization. SWOT analysis does not aim at option evaluation or selection. However, in the process of going through the internal and external analyses and appraisal, certain objectives and certain performance measures may be reviewed.

Self-Assessment Exercises

1. Briefly explain what you understand by SWOT analysis.
2. Carry out SWOT analysis of a named business pointing out clearly its major weaknesses and the kind of strategies you will formulation to strengthen the business.

1.9 Summary

In this unit, we have learnt SWOT analysis using the SWOT matrix model to explain the basic terms that are used in connection with SWOT. After the SWOT appraisals, the various strategies of exploit (maxi–maxi), search (mini-maxi), avoid (mini-mini) and confront (maxi-mini) that can be adopted have been enumerated. The relationship between the internal and external appraisals has been drawn in the strategic analysis. Finally, the unit mentions the limitation of SWOT analysis and cautions against a dishonest appraisal of the environment.

1.10 References/Further Readings/Web Resources

Robson, W. (1997). *Strategic Management and Information System*, 2nd ed. Financial Times: PITMAN Publishing.

Rowe, A. J., Mason, R. O, Dickel, K. E., Mann, R.B., & Mockler, R. J. (1994). *Strategic Management: A Methodological Approach*, Addison: Wesley.

Weihrich, H. (1982). *The TOWS Matrix. A Tool Situational Analysis*, Long Range Planning, vol. 15 pp 54 – 66.

1.11 Answer to SAEs

1. SWOT analysis is a strategic planning tool used to evaluate the strengths, weaknesses, opportunities, and threats of an organization, project, or individual. It provides a structured framework to assess the internal and external factors that can impact the success or failure of a venture.

The acronym "SWOT" stands for:

- Strengths: These are the positive attributes and characteristics internal to the entity being analysed. They include unique resources, skills, competitive advantages, or any other factors that give an advantage over competitors.
- Weaknesses: These are the internal factors that limit or hinder the entity's performance and potential. They may include inadequate resources, lack of expertise, poor infrastructure, or any other factors that put the entity at a disadvantage compared to others.
- Opportunities: These are the external factors or circumstances that can be exploited to the entity's advantage. Opportunities can arise from market trends, technological advancements, changes in regulations, emerging consumer needs, or any other external factors that can create favourable conditions for growth or success.
- Threats: These are the external factors or challenges that could potentially harm the entity's performance or viability. Threats may include intense competition, economic downturns, changing customer preferences, new regulations, or any other factors that pose risks to the entity's objectives.

2. SWOT Analysis of Nestlé PLC:

- Strengths:
- Strong Brand Portfolio: Nestlé owns a diverse range of popular brands in various food and beverage categories, providing a competitive advantage.
- Global Presence: The company operates in multiple countries, allowing it to leverage economies of scale, reach a wide customer base, and adapt to regional market trends.
- Research and Development (R&D) Capabilities: Nestlé invests significantly in R&D, enabling innovation, product development, and meeting changing consumer demands.
- Broad Product Range: Nestlé offers a wide array of products, catering to different consumer preferences and market segments.

- Strong Supply Chain: The company has a well-established global supply chain network, ensuring efficient sourcing, production, and distribution.
- Weaknesses:
- Product Recalls and Quality Concerns: In the past, Nestlé has faced product recalls and quality-related issues, which can erode consumer trust and brand reputation.
- Dependence on a Few Brands: Despite a diverse brand portfolio, Nestlé relies heavily on a few key brands for a significant portion of its revenue, making it vulnerable to brand-specific risks.
- Negative Public Perception: Nestlé has faced criticism regarding its marketing practices, environmental impact, and water usage, leading to reputational challenges.
- Slow Response to Health and Wellness Trends: The company has been slower in adapting to the growing demand for healthier and more sustainable food and beverage options.
- Opportunities:
- Growing Health and Wellness Market: Nestlé can capitalize on the increasing consumer focus on healthier and functional foods by expanding its portfolio of nutritious and sustainable products.
- Emerging Markets: There is untapped potential in emerging markets with a rising middle class and changing consumer preferences, presenting growth opportunities for Nestlé.
- Acquisitions and Partnerships: Nestlé can explore strategic acquisitions or partnerships to enhance its product offerings, enter new markets, or gain technological advancements.
- Threats:
- Intense Competition: The food and beverage industry are highly competitive, with numerous global and local players vying for market share, posing a threat to Nestlé's market position.
- Changing Consumer Preferences: Shifting consumer trends and preferences towards organic, natural, and locally sourced products may challenge Nestlé's traditional offerings.
- Regulatory and Compliance Risks: Increased regulations related to food safety, labelling, advertising, and sustainability can pose challenges and impact Nestlé's operations.
- Price Volatility of Raw Materials: Fluctuations in commodity prices, such as dairy, cocoa, and coffee, can impact Nestlé's profitability.
- Strategies to Strengthen Nestlé PLC:
- Strengthen Quality Assurance: Invest in rigorous quality control measures, improve supply chain transparency, and enhance communication to rebuild consumer trust.

- Enhance Health and Wellness Offerings: Focus on developing and marketing healthier and sustainable products, addressing the growing demand for nutritional choices.
- Foster Innovation: Continue to invest in R&D to drive product innovation, diversify the brand portfolio, and stay ahead of evolving consumer preferences.
- Improve Sustainability Practices: Increase efforts to reduce environmental impact, promote responsible sourcing, and communicate sustainability initiatives transparently to align with consumer expectations.
- Strategic Partnerships and Acquisitions: Identify potential partnerships and acquisitions that can expand Nestlé's product range, enter new markets, and tap into emerging trends.
- Agility in Adapting to Market Changes: Monitor and respond swiftly to changing consumer preferences and market dynamics, allowing Nestlé to stay competitive and capture new opportunities.

It's important to note that the strategies provided are general recommendations, and Nestlé PLC would need to assess their specific circumstances, resources, and market conditions to tailor the strategies accordingly.

MODULE 2

UNIT 1 STRATEGIC CHOICE

Unit Structure

1.1 Introduction

This unit deals with strategic choice. This implies that there are many alternating or array of strategies from which the organization can chose based on the outcome of the organization's environmental analysis. In making strategic choice, the manager must take cognizance of certain factors like structure and the culture of the organization. Strategic choice basically comprises strategy generation, strategy evaluation and selection. The techniques of doing these are presented in the unit.

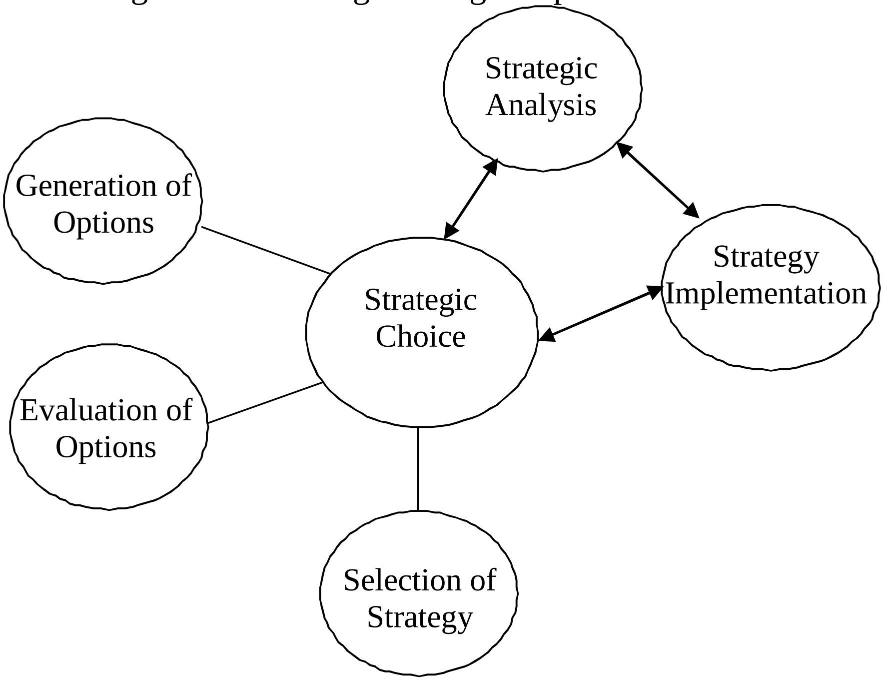
1.2 Learning Outcomes (LOs)

By the end of this unit, you will be able to:

- explain the process of selecting a course of action from various available alternatives to achieve specific goals and objectives;
- identify the interconnected nature of strategy generation, evaluation, and choice;
- identify different factors, such as internal and external environments, market conditions, resources, capabilities, and stakeholder expectations, that serve as the basis for considering different strategic options;
- identify the various factors or considerations that form the foundation for alternative strategies. You will gain knowledge about different bases for generating strategic options, which may include factors like competitive advantage, market positioning, cost leadership, differentiation, innovation, and sustainability;
- discuss various strategic approaches, such as growth strategies, retrenchment strategies, stability strategies, differentiation strategies, cost leadership strategies, and international expansion strategies;
- describe the differences which will enable them comprehend the advantages, limitations, and suitability of each strategy in different business contexts.

1.3 Choice of Elements of Strategic Management

After a critical analysis of both the internal and external environment of the organization, the management needs to generate a number of strategic possibilities. Thus, there is a need for the techniques that will assist in the evaluation of the available options and choices. Thus, essentially the choice element of the strategic management is concerned with choosing a strategy based on the results of the foundations laid by the strategic analysis. Any good manager must be able to generate and evaluate possible strategies taking cognizance of the nature of his/her own organization or industry. The manager must seriously consider the risk, structure and the culture of the organization before making a straight choice. In this unit, we shall discuss the techniques of generating, evaluating and selecting strategic options. The elements that are



usually associated with making strategic choices are shown in Fig. 6

Fig. 6: Three Elements of Strategic Choice

Basically, strategic choice has three aspects:

1. The generation of strategic options which go beyond the most obvious courses of action identifying the options.
2. The evaluation of strategic options which may be based on exploiting an organizations relative's strengths or on overcoming its weakness.
3. The selection of a preferred strategy which will enable the organization to seize opportunities within its environment or to counter threats from competitors.

1.3.1 Generation of Strategic Options

Generation of strategy options involves identifying as many as possible potential courses of action. In reality, to find all possible courses of action may not be feasible but the fact is that only the very obvious ones are spotted or identified.

1.3.2 Evaluation of Strategic Options

The evaluation of strategic options is done within the frame–work produced by strategic analysis. The various alternatives listed as strategic options have to be tested for strategic fit (suitability), feasibility and acceptability, which are the three major evaluation criteria.

1.3.3 Selection of Strategic Options

Usually, the selection of strategic options results in a single strategy or a set of strategies that can be used in the strategy implementation process. The major factors that normally influence strategy selection process are the culture and the power structure of the organization.

1.4 Strategy Formulation

This is an element in strategy choice process which has the aim of generating adequate flow of strategic options for subsequent evaluation. There are many ways of doing this. Johnson and Scholes (1993) suggest identification, what basis "which direction and how options".

1.5 Basic Alternative Competitive Strategies

Porter classifies three possible ways for an organization to outperform its competitive rivals based on five competitive forces acting on an organization. This is later reduced to four. He says that the choice is between three generic business strategies, which are low cost, differentiation, focus/niche. The generic strategies are in two parts:

(a) Product differentiation
(b) overall leadership. The focus/niche aspect of the strategy concerns a distinct segment. This aspect is further sub-divided by Porter to low cost, focus/niche and differentiation focus/ niche to give the four generic strategies.

In spite of its criticism, the notion of generic strategies is pragmatically useful as a device to force explicit consideration of the way of competing by showing the alternatives as by lowest cost (giving strength from strong loyalties) and were competing showing the alternatives as everywhere or in a segment. This model's limitation is the complexity of the reality on ground and in many instances the effective management is to create some mixture of the strategies.

1.6 The Direction

There are many strategic directions which an organization can focus. These different directions have been put together and modelled by Ansoff (1968). Seven alternative directions have been indicated. The seventh alternative, with its diversification, is divided further into two sub-options, i.e., related and unrelated business areas.

1.7 Summary of Strategic Options

Table 2: Summary of Strategic Options

		Internal	Acquisitions	Joint
1	Do nothing	-	-	-
2	Withdrawal	Liquidate	Complete sell out Partial divestment, Management buyout.	Licensing, Subcontracting
3	Consolidation	Growth with market increase: Quality Productivity Marketing Capacity Reduction/rationing	Buy and shut down	Technology transfer, Sub-contracting
4	Market penetration	Increase: - quality - productivity - marketing	Buy market share Industry rationalization	Collaborations
5	Product development	Research and Development Modifications Extensions	Buy-one products	Licensing, Franchising, Consortia, Lease facilities
6	Market development	Extend sales area	Buy competitors	New agents Licensing

		Export new segments New uses		consortia
7	Background integration Forward integration Unrelated diversification	Switch focus New units Create subsidiaries	Minority holdings Buy subsidiaries	- Technology - Exclusive - Franchising

Source (Scholes, 1993)

The summary of the strategic options indicating the various directions on organization can focus is presented in Table 2 each of these options are hereby discussed.

1.7.1 Do Nothing

This means that the organization will have to continue in the present direction, i.e., maintain the status quo. As a long-term measure, it may not be beneficial but as a short–term, it may be appropriate. Some growth may occur if the current market grows. Otherwise, everything remains constant or the same.

1.7.2 Withdrawal

Under this situation, the organization is removed from the industry because of an irreversible decline in demand, changes or opportunity cost which indicates that other business ventures offer more appropriate strategic directions. It is more of a strategy for asset realization and resource deployment.

1.7.3 Consolidation

Strictly speaking, it is a strategy adopted to maintain the existing market share. It is done when a dominant organization aims at stability in order to accumulate cash reserves for some future activities. This can be achieved by cutting costs or increasing prices with the aim of obtaining a better margin.

1.7.4 Retirement

It is different from consolidation when its main aim is to obtain a reduction in the scale of operations.

1.7.5 Market Penetrations

Using this strategy, the organization seeks to increase market share, i.e., sales growth within the same market for the present product(s) or services through greater marketing efforts in which the market shares of others can be grabbed. It includes increasing the number of sales persons, advertising expenditure, extensive sales promotions or publicity effort. It is regarded as the most conservative of growth strategies since it builds on the strength of the organization and requires no easy during the growth phase. It may meet fierce opposition if the market is static or declining.

1.7.6 Product Development

This strategy seeks increase by increasing or modifying present products or services. The strategy keeps the organization operating with current markets but competing on the basis of new product. So, growth is achieved if the new products are successful. Product development usually entails large expenditures. It is a relatively low-risk strategy and one that works well when products life cycles are short and products are the natural spin–off from research and development process.

1.7.7 Market Development

This involves introducing present products or services into new geographical areas or new markets. It is a relatively high-risk strategy given the state of ignorance of the new market. When growth is sought and existing markets have little scope, this direction is taken into new areas, new market segments or new market uses. It is least risky when the organizations competence is product related rather than market related. In Nigeria today, many domestic firms are striving hard to carry their products abroad. It is, however, to be noted that expansion into the world market is no guarantee for success. It is important to allow greater care in quality control and customer service.

1.7.8 Diversification

This strategy takes the organizations away from both the existing markets and existing products. This has the highest risk of all strategies because of unfamiliarity. But related diversification remains broadly within this same industry, either backward into the supply chain, forward into the distribution chain or horizontal into complementary activities and so lowers the risk. However, unrelated diversification is a popular strategy among the holding company conglomerates. The strategy is becoming less popular since business organizations are finding it difficult to manage diverse business activities. Firms are advised to “stick to the knitting” and not to stray away too far from the firm’s area of competence. Nevertheless, diversification is still an appropriate and successful strategy. Sometimes for a company like Philip Morris, diversification makes sense because cigarette consumption is declining, product liability suits are a risk and some investors reject tobacco stock on principle.

It is possible to implement growth strategies by means of internal organic development of growth over time. However, this is slow. Growth can also be by external development via mergers and acquisitions. This may be expensive but is fast gaining access to marketers through joint ventures. The organization will have to consider the trade-off between cost/risk/speed and shape the choice between these alternatives.

1.8 Other Strategic Options

Broad strategy alternatives and other strategic options may be considered besides those earlier mentioned. They include growth, stability and retrenchment. The growth strategies reproduce development, diversification, market development or market penetration strategies. The stability strategies are doing nothing (also referred to as holding) and consolidation (or harvesting) strategies. The retrenchment strategies can, in turn, be considered according to Robson (1997) in three subdivisions.

1.8.1 Liquidation

This involves selling all the company’s assets in part for their tangible worth. Liquidation is the recognition of defeat and could be an emotional and difficult strategy. However, it may be better to lease operation than to continue to lose large sums of money. It could also be a redeployment of resources to somewhere else.

1.8.2 Divestment

It involves selling a division or part of an organization. It could be part of an overall retrenchment exercise, to reed an organization of businesses that are unprofitable, that require too much capital or that may not fit well into the organization’s other activities. Divestment can also be adopted when the organization perceives threats in the environment such that the division can no longer be effective. The strategy is often associated with returning to the core business by shedding peripheral activities.

1.8.3 Turnaround

This strategy is used to recover from forced liquidation of business or bankruptcy. It is the most complex strategy to pursue since turning a non-profitable business into a profitable one will be beyond management skills of the organization. It may be a strategy resulting from new management or owning groups.

1.9 Strategy Thrusts

Other authorities (Rakoff et al, 1985) have expanded on Porter's work on competitive strategies and offered a more comprehensive model of industry competition. They suggest that strategic thrusts are the major moves or actions that an organization takes, which may be offensive or defensive in nature. The strategic thrusts model suggests that all possible activities can be summed up in the words of Robson (1997) as follows:

1.9.1 Differentiation

This aims to get an advantage by distinguishing products and services from competitor or by reducing the differentiation advantage of rivals.

1.9.2 Cost

This aims at getting an advantage by reducing own suppliers" or customers" costs by raising the costs of rivals.

1.9.3 Innovation

This is aimed at getting an advantage by introducing a product change that fundamentally changes the industry's method of business.

1.9.4 Growth

This aims to get an advantage by volume or geographic expansion, backward or forward integration, product line or entry diversification.

1.9.5 Alliance

This is diverted at getting an advantage by forging marketing agreements, forming joint ventures or making acquisitions related to the other four thrusts.

These strategies can be applied to three possible targets or categories, which are:

a. Supplier Targets: those providing the organization with materials, capital, labour, services, etc.
b. Customer Targets: those requiring the organizations products or services, either for their own use or for subsequent re-sale.
c. Competitor Target: those selling or potentially selling products seen by customers to be the same as, or tolerable substitutes for, those produced by the organization.

This model, as indicated, permits the analysis of the three strategic targets of the organizations industry and makes the manager aware of the main actions the organization can take in the quest for competitive gain. So, with this kind of model, the organization should always know its strategic target, whether it is the suppliers, customers or competitors.
The organization should also know the kind of strategic thrust to be used against the target, be it differentiation, cost innovation or growth of alliance. The strategic model should also be known, whether it will be offensive or defensive and the direction of thrust to be used, be it usages or provision. These strategies have to be properly considered before the choice of a strategic option. Often times, it is better to use a combination of strategies to achieve desired goals.

Self-Assessment Exercises

1. What will you consider as the major yardsticks for making a strategic choice? Explain.
2. A good strategy is dependent on the environment, organizations objectives, structure, culture and power. Discuss fully the validity or otherwise of this statement.

1.10 Summary

Strategic choice is concerned with strategy generation, evaluation and selection taking into consideration risk, structure and culture of the organization.

Alternative strategies are formulated based on the focus or strategy thrust of the firm. The strategic options listed are tested for suitability or strategic fit before a choice is made based on the direction of the organization. The various strategies that could be considered are well explained in this unit. The strategic options that could be adopted when a business is becoming unprofitable are mentioned.

1.11 References/Further Readings/Web Resources

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Porter, M. E (1980). *Competitive Strategy: Techniques for Analysing Industries and Competitors*, Free Press.

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1.12 Possible Answers to Self-Assessment Exercise(s) within the content

Answer to SAEs

1. When making strategic choices, several major yardsticks should be considered:

- Mission and Vision: Align the choice with the organization's mission and vision to ensure it contributes to long-term objectives.
- Market Analysis: Evaluate the market trends, competition, and customer needs to identify opportunities and potential risks.
- SWOT Analysis: Assess the strengths, weaknesses, opportunities, and threats related to the choice to understand its feasibility and potential outcomes.
- Financial Viability: Analyse the financial implications, including costs, revenue projections, and return on investment, to ensure the choice aligns with the organization's financial goals.
- Risk Assessment: Identify and evaluate potential risks and uncertainties associated with the choice to develop risk mitigation strategies.
- Stakeholder Analysis: Consider the interests and expectations of various stakeholders, such as employees, customers, investors, and communities, to ensure the choice is acceptable to them.
- Resource Allocation: Assess the required resources, including personnel, technology, and infrastructure, and evaluate the organization's capacity to allocate and utilize them effectively.
- Ethical Considerations: Evaluate the choice from an ethical standpoint, ensuring it aligns with the organization's values and avoids any potential harm or negative impact.
- Long-Term Impact: Consider the potential long-term consequences and sustainability of the choice, aiming for positive and lasting effects on the organization and its stakeholders.
- Flexibility and Adaptability: Assess the choice's ability to adapt to changing market conditions and provide room for flexibility to adjust strategies if needed.
- By considering these yardsticks, organizations can make informed strategic choices that are well-aligned with their goals, stakeholders, and external environment.

2. The statement is valid as a good strategy must align with the environment in which the organization operates. It should consider the external factors such as market conditions, competition, and technological advancements. Additionally, organizational objectives play a crucial role in defining the direction and purpose of the strategy. The structure of the organization determines its capabilities, resources, and decision-making processes, all of which influence strategy formulation and implementation. Culture is significant as it shapes the values, beliefs, and behaviours of employees, affecting their ability to execute the strategy effectively. Power dynamics within the organization impact decision-making, resource allocation, and strategy execution. Therefore, considering these factors is essential for a successful strategy.

UNIT 2 STRATEGIC PLANNING

Unit Structure

1.1 Introduction

This unit talks about strategic planning in an organization. This was devised by corporate leaders to implement strategies that will enhance the competitiveness of each business unit. It differs from the yearly fiscal plans of the organization.

1.2 Learning Outcomes (LOs)

By the end of this unit, you will be able to:

- explain the definition of strategic planning and its importance in organizational management.
- differentiate between strategic planning and fiscal planning in terms of their objectives and focus.
- describe the sequential steps involved in a typical strategic planning process.
- identify the key activities and tasks associated with each stage.
- identify the primary areas of focus in strategic planning, such as organizational mission and vision, goals, objectives, and strategies.

1.3 Background Information on Strategic Planning

Strategic planning (SP) evolved in the business world in the United States of America (USA) and was later adapted for non-profit making organizations such as hospitals and tertiary institutions such as the universities.

Strategic planning was embraced by corporate leaders in the mid-1960s to devise and implement strategies that would enhance the competitiveness of each business unit, generate decisions about deployment of resources toward fixed goals and priorities and build a sustainable long-term future with a constantly changing or dynamic environment.

Strategic planning cannot be prepared by an outside expert but rather a prescription that is formulated by the combined expertise within the organization (Daniyan, 2002). Daniyan states that the purpose of planning is to make decisions about the future before the future either forces the decisions on us or renders any decision irrelevant.

The essence of strategic planning is the identification of specific desired results to which all the efforts and activities of the organization will be dedicated. The success of any plan is determined only by the results its produces.

1.4 Meaning of Strategic Planning

Strategic planning differs significantly from yearly fiscal plans. Cope (1981) clearly identifies and states the differences as follows:

a. Strategic planning focuses on the process while the long-term planning with its application of formulae, gives little attention to the organization’s politics and the changing circumstances.
b. Strategic planning pays attention to the external environment, qualitative information and initiative decisions regarding resource commitment and integrated participatory involvement. Long-term planning tends towards internal analysis and qualitative models of resources deployment, and it conducted as a separate institutional function.
c. Long-term planning emphasizes the science of planning with detailed and interfaced sets of data. The strategic view emphasizes creativity, innovativeness and methods to manoeuvre the institution over time and across turbulent waters.
d. Long-term planning focuses on organizational goals and objectives for at least five years ahead while strategic planning asks what decision is appropriate today based upon an understanding of where the critical external variables will be five years from now.

Therefore, strategic planning has been described as the process of setting organizational goals or objectives based on identified strengths and weaknesses.

1.5 Development of Strategic Planning

Many things have been written on strategic planning. However, strategic planning as a discipline with its associated concepts and techniques only emerged fully in the early 1970s. There are, of course, many reasons for this. In the words of Kotler (1988), it was largely because of the growing and continuously buoyant markets of the 1950s and 1960s when many companies prospered on the back of largely short-term operational planning. The turbulence of the early 1970s that followed a series of crises, including oil supply restrictions, energy and material shortages, high inflation, economic stagnation, labour unrest, increased unemployment and then recession caused many major reasons to search for a radically different approach to the running of their businesses. These were compiled with influx of low-price but relatively high-quality products from countries like Japan which began to flood the western markets. These products changed rapidly and drastically the economics of manufacturing industries.

The revised approach to management planning threats that emerged was then designed to provide the organization with a far stronger and more resilient framework that would enable managers recognise the opportunities more readily and overcome threats more easily. This marks the beginning of a new planning process to take maximum advantage of opportunities and threats in the environment. It also entails a consideration of strategic alternatives and a choice of the most appropriate strategy towards achieving set goals or objectives. This is in addition to periodic evaluation to ensure that the chosen strategy would achieve the objectives; if not, to alter the strategy or review the objectives. Daniyan (2002) reiterates the definition which states that somebody defines strategic planning as “congruous and collective exercise of foresight and taking informed decisions about the future”.
Another simple way of looking at strategic planning is to consider it as a formal process of determining long-term objectives and how to achieve them.

In practice, strategic planning deals with five separate tasks, which are as follows:

- Determination of the long-term direction of the company.
- Determination of the resources requirement of the company.
- Establishing of overall goals and strategies.
- Assessment of the competitive position of the firm in the industry.

- In a modern organization, strategic planning is seen as the focal point for all planning and reporting. It is closely linked to market studies, capital spending, contingency planning and annual profit plan or budget.
- In the process of strategic planning are of three fundamental questions that needs to ask, which are
- Where is our organization now?
- Where do we want the organization to be?
- How do we get the organization there?
- These three basic questions must be objectively and sincerely answered for the strategic planning to achieve its desired objectives. It should be noted that both short-term and long-term strategies require planning.

1.6 Processes Involved Strategic Planning

There are processes and methodologies involved in conducting strategic planning. The processes involve a step-by-step systematic approach, which starts out from the very beginning with focus on implementation. The standard methodology works for every organization whether big or small. However, industry variations and adaptations need to be made. Such various include the following:

1.6.1 Competitive Analysis

Organizations that enjoy monopoly of their business, e.g., Power Holding Corporation of Nigeria (PHCN), will certainly omit a step since it has no competitor.

1.6.2 Planning Horizon

Some organizations may need to plan for a long time to come especially in trading activities (e.g., PHCN) while others may not need more than a year's planning.

1.6.3 Functional Analysis

The consumer products companies are very much marketing-oriented. Such companies must be serious to consider the market for their products in the strategic planning.

1.6.4 Regulatory Analysis

In this aspect, some industries or businesses are more affected than the others. For instance, tobacco companies and alcohol producing companies are more affected than the soft drinks producing companies.

1.6.5 Technological Trends

Certainly, technological advancement varies vividly between the advanced and the developing countries. This will affect the activities of the organization. The technology must be of concern particularly to the local industries.

1.6.6 Economic Sensitivity

The local companies may be less sensitive than the importers.

1.7 Changing Focus of Strategic Planning

At the beginning of the 1990s, a number of researchers including Stacey (1991) and Mintzberg (1994) began questioning the traditional and well-established line of thinking about strategic planning. With its origin in late 1960s and early 1970s, strategic planning had been held by many as the most logical and effective way of devising and implementing the strategies which would improve the competitiveness of a business unit. However, Mintzberg argues that the creation in many large organization of specialist departments, staffed with strategic planners who are involved in the thinking but not in doing or the implementation, has created a series of difficulties and tensions. The net effect, according to him, is that strategic planning has long since fallen from its pedestal. He goes on to say that:

But even now few people really understand the reason: strategic planning is not strategic thinking. Indeed, strategic planning often spoils strategic thinking, causing managers to confuse real vision with the manipulation of numbers. And this confusion lies at heart of the issue: the most successful strategies are reasons not plans.

Mintzberg, in making this assertion, highlights the way in which strategic planning is indeed strategic programming, an activity which involves articulating strategies or visions which already exist. He believes managers should understand the differences between planning and strategic thinking so that they can focus upon what the development process should really be.

This implies that the role of the planner changes significantly. For Mintzberg, the planner's contribution should be around rather than inside the strategy-making process. The planner should provide the analysis and data inputs that the strategic thinker needs and not the one supposedly correct answer to the strategic challenge being faced.

This redefinition of roles illustrates, in turn, the distinction that needs to be made between the analytical dimension of planning and the synthesis, intuition and creativity that characterize true strategic thinking.

Stacey, in his own criticism of the traditional logical and sequential approach of planning, argues for a managerial emphasis upon adaptability, intuition, paradox and entrepreneurial creativity in order to cope with an unpredictable and inherently unknowable future. Stacey highlights the importance of intuition and the need for managers to deal with problems in a truly holistic fashion. He goes on to suggest that managers must learn to reason through induction rather than deduction, and to argue by analogy, to think in metaphor and to accept paradox. Both Mintzberg and Stacey argue for a greater creativity within the organization.

Stacey's views rest upon the idea that, because of the nature and complexity of the business system, anything useful about the future is essentially unknowable, something which negates the value of the conventional planning. Wisdom that success depends upon developing a vision of where the company wants to be in five, ten or twenty-years time, the strategy that will achieve this and a shared culture.

Stacey believes that real strategy emerges from group dynamics, from politicking and informal lobbying in the corridors, from the complicated patterns of relationships and interplay of personalities, from pressure groups that spring up after the formal meetings; that real success lies not in total stability and "sticking to your knitting" but in the tension between stability (in the day-to-day running of the business) and instability (in challenging the status quo). Instability is not just due to ignorance or incompetence; it is a fundamental part of successful business firms (Stacey, 1994).

1.8 Strategic Planning and Responsibility

The ultimate responsibility of the planning process rests firmly with the corporate management. In practice, organizations differ greatly both in how they go about this and in the degree of freedom given to the managers or individual business units. For instance, some organizations allow business units considerable scope in developing their own objectives and strategies, ensuring only that the promised levels of performance are obtained. This is referred to bottom-up planning. By contrast, others are opposed to this, in that they establish the objectives and they insist on being involved in the development and implementation of the strategy. This is known as the top-down planning. Yet, others establish the goals and then leave the business units to develop the strategic for their achievement. This is called goals down-plans up planning.

Irrespective of the strategic planning approach that is adopted by the organization, the corporate management has the ultimate responsibility for the four major dimensions of planning, which are:

a. Defining of the business mission
b. Establishing the company's business units (SBU"s)
c. Evaluating the existing business portfolio
d. Identifying new areas for the business to enter.

1.9 Strategic Planning, Implementation and Control Cycle

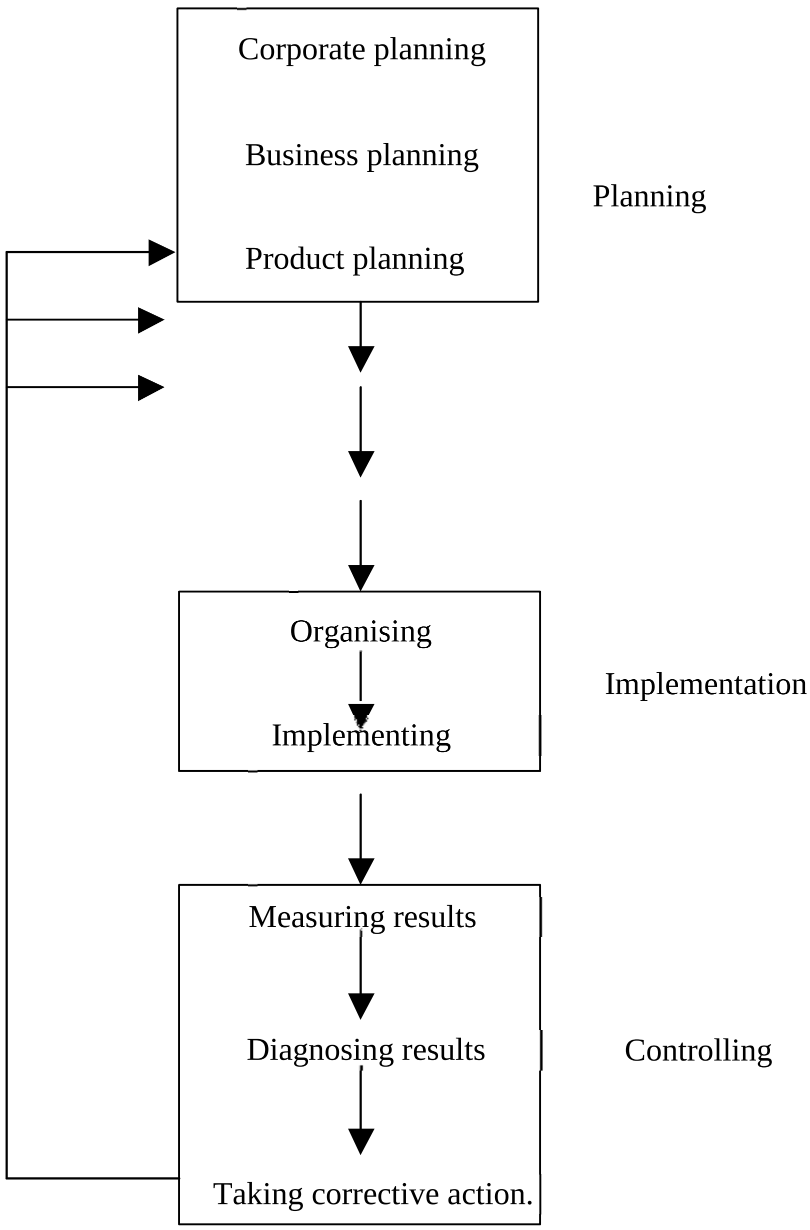

Fig. 7: The strategic planning, implementation and control cycle

Self-Assessment Exercises

1. Exhaustively state the benefits of strategic planning.

1.10 Summary

This unit gives brief information on strategic planning. This is closely followed by enumeration of the differences between strategic planning and fiscal planning, strategic planning process and the major focus of strategic planning.

1.11 References/Further Readings/Web Resources

Kotler, P. (1988). Marketing Management: Analysis, Planning, Implementation and Control, (6th ed) Englewood Cliffs: NO Prentice-Hall.

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1.12 Possible Answers to Self-Assessment Exercise(s)

Answer to SAEs

1. The benefits of strategic planning are:

- Strategic planning provides a clear direction and purpose for an organization, helping it define its long-term goals and objectives. This clarity enables better decision-making and resource allocation, ensuring that everyone is working towards a common vision.
- It enhances organizational efficiency by aligning all activities and initiatives with the overall strategy. By identifying priorities and eliminating redundant or low-value tasks, strategic planning streamlines operations and improves productivity.
- Strategic planning facilitates proactive adaptation to changing market conditions and emerging trends. By regularly evaluating internal and external factors, organizations can identify opportunities and threats in advance, enabling them to make necessary adjustments and stay ahead of the competition.
- It promotes effective resource utilization by identifying and allocating resources based on strategic priorities. This helps organizations optimize their investments, whether it's financial capital, human resources, or technology, ensuring that resources are utilized efficiently and effectively.
- Strategic planning fosters better communication and coordination within an organization. By clearly articulating the strategic goals and objectives, it provides a framework for departments and teams to align their efforts, collaborate on projects, and share information, enhancing overall teamwork and synergy.
- It enhances stakeholder engagement by involving key stakeholders, such as employees, customers, and partners, in the planning process. By considering diverse perspectives and incorporating their feedback, strategic planning builds stronger relationships and ensures that the organization's decisions are well-informed and reflective of stakeholder needs.
- Strategic planning supports long-term sustainability and growth. By systematically analysing market dynamics, competitive landscape, and internal capabilities, organizations can identify new growth opportunities and develop strategies to capitalize on them. This helps organizations stay relevant and thrive in a dynamic business environment.

UNIT 3 STRATEGY FORMULATION

Unit Structure

1.0 Introduction

This unit deals with strategy formulation, particularly, the essential elements that are involved in the formulation of strategy. It discusses how strategy formulation gives the direction that the organization wants to go. The different levels of strategy formulation are enumerated. The unit ends by giving vivid information on the background of strategy formulation in business organizations.

1.2 Learning Outcomes (LOs)

By the end of this unit, you will be able to:

- articulate the key components and considerations in the strategy formulation process.
- Explain how the formulated strategy aligns with the organization's goals and objectives.
- Distinguish between corporate, business unit, and functional level strategies.
- discuss the hierarchy of strategy formulation and the background information involved.
- Identify the tools and techniques used to monitor and evaluate strategy performance and make necessary adjustments.

1.3 Meaning and Definition

Strategy formulation is the process whereby management develops an organizations strategic mission, derives specific strategic objectives and chooses a strategy to implement. It includes all the direction-setting components of managing the total organization.

1.4 Formulation of Strategy and Direction of Organization

Usually, organizations managers have choices about which part to take in achieving strategic objectives. As the adage goes, "There are more than one way to skin a cat". So, an organization strategy represents the pattern of choices management has made among the alternative means. A strategy is just the trajectory or the height path toward the target objective. It is made up of the entrepreneurial competitive and functional area approaches that the management intends to employ in positioning the enterprise and in managing its overall portfolio of activities. Since each organization is unique, strategy formulation is custom-tailored by management to suit or fit all the relevant internal and external circumstances that surround the organization. Also, because the organizations circumstances change, its strategy also changes and is always evolving as the managers either fine-tune or overhaul the ways they try to achieve strategic objectives.

1.5 Corporate-Level Strategy

This is senior management's game plan for directing and running the organization as a whole. It cuts across all of the organization's activities such as different businesses, divisions, product line and technologies. The corporate level strategy formulation should involve three tasks, which are:

a. Development of plan for managing the scope and the mix of the organizations various activities in order to achieve or improve corporate performance.
b. Provision of co-ordination among different businesses in the portfolio.
c. Establishment of investment priorities and allocation of corporate resources across the company's different activities.
   The portfolio management actions of corporate officers in entering a new or existing businesses and in pursuing some opportunities more boldly than others are strategically important because they determine the organizations business position.

The strategy to be formulated at this level may be a combination of offensive moves to pursue selected opportunities and build new or stronger business positions, and defensive moves to protect existing positions against emerging threats.

Co-ordination of strategic plans across business units is equally an important task for corporate managers. This is because it is through the co-ordination of the interrelated activities of the corporation's different business units that a corporate-level competitive advantage can be created.

Controlling the level of the pattern of corporate resource allocation is of no less importance. It is very crucial because the number of "worthy projects" and "can't miss opportunities" put forward for funding may entail a lot of capital requirements even beyond the corporate resources. The allocation of the resources must therefore, be genuinely done.

1.6 Line of Business Strategy Formulation

This is the managerial action plan for directing and running a particular business unit. The strategy at this level deals explicitly with

a. How the enterprise intends to compete in that specific business.
b. Developing responses to changing industry and competitive conditions.
c. Controlling the pattern of resources allocation within the business unit.

The internal key to good business strategy concerns the development and use of a strategy-supportive distinctive competence. This means the skill or activity that a firm does especially well in comparison to the rival firm. Formulation and selection of a business strategy that is closely matched to the firm's skills resource base is very essential
For a single business enterprise, corporate strategy and business strategy become one and the same except when the single business is contemplating on diversification.

1.7 Functional Area Support Strategy

These are strategic formulation for managing the principal subordinate activities within a business. This should be for each part of the business, production, marketing, finance, research and development and human resources. This task is delegated by the business level manger to the functional area heads. The functional heads then formulate strategies to achieve their set objectives.

1.8 Operational–Level Strategy

The operating-level strategies are formulated to enable the departmental and supervisory-level managers carry out fine details of functional area support strategies.

1.9 Levels of Strategy Formulation

This is another important aspect of strategic management. This aspect brings into play the critical issue of how the targeted results are to be accomplished. The objectives of the organization are the “ends” while the strategy is the “means” of achieving them. Strategy formulation is a difficult task. It entails taking into account all the relevant aspects of the organizations internal and external situation and coming up with a detailed action plan for achieving the targeted short-run and long-run results consistent with the organizations objectives. Strategy is regarded as a blueprint of all the important entrepreneurial, competitive and functional area actions that are to be taken in pursuing organizational objectives and positioning the organization for sustainable success. Consequently, in formulating strategy, there are issues that must be addressed which include the following:

1.9.1 How to Respond to Changing Strategy Conditions

These conditions include shifts in customer needs, emerging industry trends, how to defend against competitors and other externally imposed threats, etc.

1.9.2 Resources Allocation

In formulating strategy, resources allocation over the organizations various business units, divisions, and functional departments are important. Making decisions that will provoke investment and human resources in the chosen strategic plan are very crucial. To achieve success, a kind of strategy-supportive guidelines for resources allocation must be in place.

1.9.3 Competition within the Industry

This has to do with the decisions on how to develop customer appeal, position the firm against rivals, emphasize some products and de-emphasises others to meet some specific competitive threats, which are important for survival and the achievement of a definable competitive advantage.

1.9.4 The Actions and Approaches to take in Each of the Functional Areas of an Operational Department

The different functional and operating level strategies ought to be co-ordinated rather than be allowed to go off on independent courses. They need to support the creation of a sustainable competitive position and advantage. Strategy formulation should cover the different levels of the organization. There should be strategy for the organization as a whole (which is top management responsibility). There should be strategies for each line of business that the organization is operating and also at functional area level such as manufacturing, marketing, finance and human resources, within each business. There should also be strategy formulation at the operating levels, e.g., for each functional department and unit in order to be able to carry out the details of functional area strategy.

Strategy formulation is mainly an exercise carried out by entrepreneurship. Its contents reflect the entrepreneurial judgments about the long-term direction of the organization: any need for major new initiatives such as increased competitive aggressiveness, diversification moves and divestiture of unattractive activities.
The specific involvement of entrepreneurial aspects of strategy formulation is to:

- search actively for innovative ways the organization can improve on what it is already doing
- ferret out new opportunities for the organization to purpose
- develop ways to increase the firms competitive strength and put it in a stronger position to cope with competitive forces
- devise ways by which to build and maintain a competitive advantage
- decide on how to meet threatening external developments
- encourage individuals throughout the organization to put forth innovative proposals and champions those that have promise
- direct resources away from areas of low or diminishing results towards areas of high or increasing results
- decide when and how to diversify
- choose which business or product to abandon, the ones to continue to emphasize and the new ones to add.
- So, the entrepreneur needs a critical skill to be able to make strategic choices that will keep the organization in a position of sustainable success.

Other crucial factors in strategy formulation are analysis and judgment. The right strategy formulated and chosen for one organization may not be the right one for another organization, even when they are in the same business and the same environment. This is because situations differ from one organization to another and from time to time. Also, strongly positioned firms can do things which the weak ones dare not do, and weak firms can do things which the strong firms cannot do. A good strategy is one that is right for the organization, considering all the relevant specifics of its situation.

Therefore, in formulating strategies, the entrepreneurial task involves and requires heavy dozes of situational analysis and judgment with the aim of achieving “goodness of fit” between the formulated strategy and all the relevant aspects of the organizations internal situation and external environment. In fact, the value of any manager is in his ability to develop customized solutions that fit the unique features of an organizations situation.

In the main, the real purpose, and value, of strategy formulation is to come up with an action plan that will successfully attract buyers, produce a sustainable competitive advantage, boost the firms market structure, put added competitive pressures on rivals, shape the nature of the competitive battle, influence the direction of industry, change in their favour, and push performance to superior levels. The ideal result or outcome is the one where the firms formulation strategy propels it to a leadership position above and apart from the rival firms in the industry in a way that earnings prosper and multiply; and its products (services) become the standard or the yardstick for the industry comparison.

1.10 The Strategy Making Hierarchy

Table 3: The Strategy Making Hierarchy

Strategy Level	**Primary Strategy Development Responsibility**	**Strategy Making Functions and Areas of Focus**
Corporate Strategy	CEO, other key Executive (Decisions are typically reviewed and approved by board of directors)	• Structuring and managing the portfolio of business units. (Making acquisition, divestitures, strengthening the existing position).
Line-of-Business Strategy	General Manager/head of Business Unit (Decisions are typically reviewed) approved by senior corporate executive (CEO)	• Co-ordinating business level strategies. • Building business level competitive advantage. • Controlling the pattern of resources allocation. • Choosing how to compete and what type of competitive advantage to build.
Functional area support strategy	Functional area heads (Decisions are typically reviewed/approved by business units/heads)	• Developing response to changing industry and competitive conditions. • Co-ordinating the role/thrust of functional area strategies.

Operational-level strategy	Departmental heads/field unit heads lower-level managers within functional areas (decisions are often made after consultation with lateral peers in closely related areas and are reviewed/ approved by functional area heads	• Controlling the pattern of resource allocation within the business unit. • Fleshing out the business strategy as applied to specific functional areas and developing specific functional area action plans to support successful execution of the strategy. • Developing action plans to carry out the day-to-day requirements of functional area support strategies.

Adapted from Thompson and Strickland, strategic management: concepts and cases (1987).

Self-Assessment Exercises

1. Clearly differentiate between the different levels of strategy formulation.

1.11 Summary

In this unit, we have covered the rudiments of strategy formulation and pointed out how strategy formulation gives the direction that the strategic decision makers want to move. It has been shown that strategies are formulated to achieve organizational goals. Usually, these are different levels of strategy formulation especially in large organizations.

1.12 References/Further Readings/Web Resources

Hax, A. (Ed). (1957). *Planning Strategies Threats Work,* Oxford University Press.

Wendy R. (1997). Strategic Management and Information System, 2nd Edition.

1.13 Possible Answers to Self-Assessment Exercise(s)

Answer to SAEs

1. The different levels of strategy formulation are:

- Corporate Strategy: Focuses on the overall direction and scope of an organization, addressing questions of resource allocation and business portfolio management.
- Business Strategy: Concerned with achieving a competitive advantage within a specific industry or market segment, involving decisions on positioning, differentiation, and value creation.
- Functional Strategy: Deals with strategies within specific functional areas of a business, such as marketing, operations, finance, and human resources, to support the overall business and corporate strategies.
- Operational Strategy: Concentrates on the day-to-day operations and processes of an organization, focusing on efficiency, productivity, and quality improvement.
- Tactical Strategy: Involves short-term plans and actions to achieve specific objectives, often related to the implementation of operational strategies.

- Grand Strategy: Broad, long-term approaches that encompass multiple levels and may involve significant organizational transformation or major shifts in direction.
- Competitive Strategy: Emphasizes how a company can gain a sustainable advantage over its rivals, through cost leadership, differentiation, or focus on specific market niches.
- Growth Strategy: Focuses on increasing an organization's market share, expanding into new markets or product lines, and pursuing strategic partnerships or acquisitions.
- Innovation Strategy: Concentrates on fostering creativity, developing new products or services, and leveraging technological advancements to gain a competitive edge.
- Global Strategy: Addresses the expansion and operations of a business in international markets, considering factors such as market entry, localization, and global coordination.

UNIT 4 TYPES OF STRATEGY

Unit Structure

1.0 Introduction

This unit talks about the different types of strategy that are in use in various organizations for different organizational challenges and to address specific issues. Such challenges and issues border on growth, market share, product development and diversification. Great and difficult challenges such as liquidation, divestiture, retrenchment and joint venture strategies could be applied in critical conditions.

1.2 Learning Outcomes (LOs)

By the end of this unit, you will be able to:

- identify and differentiate between different strategic approaches, such as corporate, business, and functional strategies.
- analyse different situational factors and contexts that influence the selection of a specific strategy.
- explain the implications and consequences of the last option, such as bankruptcy or closure.
- demonstrate knowledge of effective implementation, evaluation, and adaptation of strategies.
- identify and describe different strategies that can be employed to achieve control over distributors, such as vertical integration or strategic alliances.

1.3 Types of Strategy

Strategic management and strategy formulation apply to every organization. In a large organization, there may be a number of interdependent areas of strategy. This is conveniently defined as corporate strategy for the entire corporate group. It is called business strategy for the unit of the group, usually referred to as strategic business unit (SBU) and a functional strategy for each part of the single business unit. All these levels must be consistent with one another in order for the entire organization to be successful.

1.3.1 Corporate Strategy

It is the sense of directions for the entire organization. It identifies the businesses the organization will engage in and those that it will not. At this level, objectives are globally defined as well as the general orientation for the organization. The objectives are usually growth, stability or defence (retrenchment). Corporate strategy usually provides answers to the question “what business (es) are we in?” It reflects the business strategy and in turn, influences the business strategy particularly the extent of outsourcing, diversification, scale and scope.

1.3.2 Business Strategy

Business strategy deals with single a SBU, how it copes with industry environment and successfully contributes to the corporate strategy. Business strategy by definition should have definable and identifiable product range, market segment and competitor set. Porter (1985) suggests that business strategy is either cost leadership or differentiation of products and may encompass an entire market or be focused upon a particular segment of it. Each SBU has its business strategy.

The business strategy is the business intent, i.e., the way in which the business wishes to proceed. Many business organizations go too far into the future analysis of their business. They run into problems because the future is not known with that kind of certainty. Therefore, what is needed by the organization is the broad direction and not details of how to get there. The necessary details are fashioned out by the functional strategies and sub-strategies developed over time.

1.3.3 Functional Strategy

There are usually a set of functional strategies for each SBU. Each will aim to make the best use of the resources available in order to contribute to business strategy so as to improve performance, functional strategy, harness activities, skill and the available resources.

1.4 Alternative Strategic Directions

There are numbers of strategic directions which an organization may pursue. These possible development strategies are shown in Table 4 in which seven alternatives are suggested based upon the extent to which new markets or new products are sought (Ansoff, 1968). In this model, the seventh alternative which is diversification may be split into related and unrelated business areas.

Table 4: Alternative strategic directions

On existing Market Focus	- Do nothing - Withdrawal - Consolidation	- Product development
	- Market penetration	
On new	- Market development	Diversification - Related - Unrelated
	On existing	On new

1.4.1 Do Nothing

This is strategy that ensures the continuation of the existing direction, i.e., tends to maintain the status quo. On the long-term, it may not be beneficial but as a short-term approach it may be appropriate. Some growth may occur if the current market grows otherwise the resource levels and other things will remain constant.

1.4.2 Withdrawal

Using this strategy, the organization has to remove itself from the industry due to an irreversible decline in demand, adverse competitive pressure and environmental changes or opportunity cost that indicates other business activities after a more appropriate strategic direction. It is a strategy of assets realization and resources deployment.

1.4.3 Consolidation

This occurs when a dominant industry organization aims at stability in order to accumulate cash reserves for future activities. Consolidation is achieved by cutting down costs and/or increase prices with the aim of obtaining better margin. It is strictly followed to maintain the current market share. A similar strategy with the intention to reduce the scale of operation is called retrenchment.

1.5 Integration Strategies

These are the forward, backward and horizontal integration strategies. They are sometimes collectively called vertical integration strategies. These strategies allow the firms to gain control over distributors, suppliers or competitions.

1.5.1 Forward Integration

This involves gaining ownership or increased control over distributors or retailers.

1.5.2 Backward Integration

This is a strategy for seeking ownership or increased control of a firms suppliers. The strategy is appropriate when a company's current suppliers are unreliable, costly or cannot meet the company's demand. Some firms use backward integration to gain control over suppliers but some companies instead owe their suppliers and negotiate with several outside suppliers.

1.5.3 Horizontal Integration

It refers to a strategy of seeking ownership of or increased control over a firms competitor. This is the most significant trend in strategic management of today. It is a growth strategy. Mergers, acquisitions and take-overs among competitors allow for increased economies of scale and enhance transfer of resources and competencies.

1.6 Intensive Strategies

Market penetration, market development and product development are referred to as "intensive strategies". This is because they require intensive efforts to improve a firms competitive position with existing products.

1.6.1 Market Penetration

This seeks to increase market share for present products or services in present markets through greater marketing efforts. It involves increasing the number of sales persons, advertising expenditures, offering extensive sales promotion items and increasing publicity efforts.

1.6.2 Market Development

This involves the introduction present products or services into new geographical areas. Many domestic firms are striving hard to carry their products abroad. Expansion into the world market is however, no guarantee for success. It is more important to allow greater care in quality control and consumer services.

1.7 Diversification Strategies

Generally, there are three types of diversification strategies, namely, concentric, horizontal and conglomerate. Diversification strategies are becoming less popular. This is because organizations are finding it more and more difficult to manage diverse business activities. Peters and Waterman's advice to firms is to stick to the knitting and not to stray too far from the firms basic area of competence.

However, diversification is still an appropriate and successful strategy. For a company like Philip Morris diversification makes sense because cigarette consumption is declining, product liability suits are a risk and some investors reject tobacco stock on principle.

1.7.1 Concentric Diversification

An example is the New Nigeria Newspapers going into exercise book production. The two products have both marketing and technological energy but may not have the same set of customers.

1.7.2 Horizontal Diversification

This strategy is not as risky as the conglomerate diversification because the firm should be familiar with its present customers, e.g., New Nigerian Newspaper Company going into property development and house building. These two products have neither marketing nor technological synergy but may have the same set of customers.

1.7.3 Conglomerate Diversification

The strategy entails adding new unrelated products or services. Conglomerate diversification is practiced partly in expectation of profit from breaking up acquired firms and selling divisions piecemeal. This means that the company's assets are worth more separately than when they are together. There is a kind of anti synergy, the whole being worth less than the units.

1.8 Defensive Strategies

1.8.1 Joint Ventures

This is a strategy that occurs when two or more companies form a temporary partnership or a consortium for the purpose of capitalizing on some opportunities. It is considered defensive because the firm is not undertaking the project alone. Two or more firms may have shared equity ownership in the new entity. Other corporate arrangements include research and development partnership, cross-distribution agreements, cross-licensing agreements, cross-manufacturing agreements and joint bidding consortia. Joint ventures and co-operative arrangements are being used because they improve company communications, networking and minimize risk. Cooperative arrangements even between competitors are on the increase.

1.8.2 Retrenchment

This strategy occurs when an organization regroups through cost and assets reduction to reverse declining sales and projects. It is sometimes called turnaround or re-organizational strategy. Retrenchment can entail selling off land and building to raise the needed cash, pruning product line, closing obsolete factories or marginal business, reducing the number of employees and instituting expenses control system. In some case, bankruptcy can be an effective type of retrenchment strategy. Bankruptcy can allow a firm to avoid major debts obligations and to avoid union contracts. Bankruptcy is a liquidation used only when a company sees no hope of being able to operate successfully or to obtain necessary creditor agreement.

1.8.3 Divestiture

This is a strategy involving the sale of a division or part of an organization. It could be part of an overall retrenchment strategy to rid an organization of businesses that are unprofitable, that require too much capital or that do not fit well with the firms other activities.

1.8.4 Liquidation

Liquidation is a strategy that involves selling all of a company's assets or in parts, for their tangible worth. Liquidation is a recognition of defeat and consequently can be an emotionally difficult strategy. However, it may be better to ease operating than to continue losing large sums of money.

Combination of Strategies

Many organizations pursue a combination of two or more strategies simultaneously. However, no one organization can afford to pursue all the strategies that will benefit the firm because organization, like individuals, has limited resources; difficult decisions must be made and priorities must be established.
Therefore, organizations must choose among alternative strategies. In large diversified companies, a combination strategy is used when different divisions pursue different strategies. Similarly, organizations struggling to survive may use a combination of several defensive strategies such as divestiture, liquidation and retrenchment simultaneously.

1.9 Requirements for Developing Effective Strategies

Alternative strategies are derived from the firms mission, objectives, external and internal audits. They are consistent with or built upon, past strategies that have worked well. There are many methods of developing effective strategies. The requirements may involve:

1.9.1 A Routine Method

This involves looking at what the company has been doing in the past. Caution must however; be exercised in adopting this technique since the new challenge or problem may be a break away from the past.

1.9.2 Creativity

As a strategist, you may attempt to conceptualize a scenario of the organization and try to develop effective strategy.

1.9.3 Brainstorming

Developing effective strategies may also require putting together many experts for a number of days for brainstorming.

1.9.4 Consultant Services

Many managers now employ the services of consultants for developing effective company strategies.

1.9.5 Holistic Approach

Strategic planning should be initiated by a company’s top management because of the broad perspective of these executives. The strategic process works from general to specific. This is called holistic approach to strategic planning.

1.9.6 Tactical Approach

Some researchers believe that the holistic approach is inferior to a tactical approach in certain circumstances. With the tactical approach, strategic managers work up through the firm in their study of its potential. Strategic management process must be a people process for it to be successful. Through the involvement in the process, the managers and employees become committed to supporting the organization.

1.9.7 Dialogue

Dialogue and participation are also essential ingredients.

1.9.8 Informed Employees

Fundamental to effective strategy development are fully informed employees at all levels in the organization. Every employee must be informed of business objectives, the process of achieving the objectives, customers, competitors and product plans.

1.9.9 Global Factors

Global factors must be considered in developing effective strategy. The boundaries of countries can no longer define the limits of people’s imaginations. To see the world from the perspective of others has become a matter of survival for business. The price and quality of a firms product must be competitive on a worldwide basis not just on a local basis.

Based on past experience, judgment and feelings, intuition is essential to making good strategic decisions. Intuition must be integrated with analysis in decision making. This is because analytical thinking and intuitive thinking complement each other. Operating from the “I have already made up my mind, don’t bother me with the facts made”, is not management by intuition; it is management by ignorance.

Self-Assessment Exercises

1.	Clearly enumerate the conditions that could make a named company adopt withdrawal, retrenchment, liquidation or a divestiture strategy.

1.10 Summary

This unit discusses different types of strategy such as corporate, business and functional strategy. Alternative strategy directions are also provided as the case may be. The requirements for developing proper and effective strategies for approach a particular situation are clearly stated.

1.11 References/Further Readings/Web Resources

Glueck, W. & Jauch, L. (1984). *Business Policy and Strategic Management*, McGraw – Hill Company.

1.12 Possible Answers to Self-Assessment Exercise(s)

Answer to SAEs

1. Conditions that could make a company adopt withdrawal, retrenchment, liquidation, or divestiture strategies include:

i. Market decline: If the company operates in a shrinking or declining market where demand for its products or services is consistently decreasing, it may choose to withdraw from that market to avoid further losses.

ii. Financial distress: When a company is facing severe financial difficulties such as mounting debt, declining revenue, or continuous losses, it may opt for liquidation, where its assets are sold to pay off creditors.

iii. Poor performance: If a company's core business segments or divisions consistently underperform and fail to generate profits or meet strategic goals, the company may decide to retrench or divest those segments to focus on more profitable areas.

iv. Strategic redirection: A company may choose to adopt a divestiture strategy if it wants to realign its business portfolio by selling off non-core assets or divisions to concentrate on its core competencies or enter new markets.

v. Regulatory changes: If regulatory changes significantly impact the company's operations or profitability, it may consider withdrawal or divestiture as a response to mitigate the adverse effects of the new regulations.

vi. Technological disruption: In the face of disruptive technologies that render a company's products or services obsolete, it may opt for withdrawal or retrenchment by phasing out outdated offerings or reducing operations to adapt to the changing market landscape.

vii. Global economic factors: Economic downturns, recessions, or geopolitical events can adversely affect a company's performance. In such cases, the company may resort to retrenchment or liquidation to cut costs, preserve resources, or exit unprofitable markets to survive the challenging economic conditions.

UNIT 5 STRATEGY IMPLEMENTATION AND EXECUTION

Unit Structure

1.1 Introduction

This unit deals with strategy implementation and execution which means that translating a decision into action is essentially an administrative task. The unit discusses matching organizations strategy implementation with the structure to be able to achieve organizations objectives.

1.2 Learning Outcomes (LOs)

By the end of this unit, you will be able to:

- give a clear and concise definition of strategy implementation.
- identify the key stakeholders and individuals responsible for strategy implementation within an organization.
- identify the significance and fundamental importance of strategy implementation.
- explain how an organization's structure, including its hierarchies, reporting lines, and decision-making processes, should support and enable the successful execution of the chosen strategy.
- describe steps to conducting a strategic analysis, identifying required capabilities, redesigning roles and responsibilities, and fostering a culture of flexibility and adaptability to fit the structure to the strategy effectively.

1.3 Strategy Implementation

Strategy implementation is concerned with translating a decision into action. This presupposes that the decision itself (i.e., the strategic choice) is made with some thoughts being given to feasibility and acceptability. The allocation of resources to new courses of action is needed to be undertaken and there may be a need for adopting the organizations structure to handle new activities as well as training personnel and devising appropriate systems. Strategic implementation is often called the action stage of strategic management.

Strategy implementation and execution is essentially an administrative task. This is equally true of putting the strategy in place and getting individuals or the whole of the managerial challenge to “make it happen” It involves the following:

a. Building an organization capable of carrying out the strategic plan.
b. Developing strategy–supportive budget and programmes
c. Instilling a strong organization-wide commitment both to organizational objectives and the chosen strategy.
d. Linking the motivation and reward structure directly to achieving the targeted results.
e. Installing policies and procedures that facilitate strategy implementation.
f. Developing information and reporting system to track and control the progress of strategy implementation.
g. Exerting the internal leadership needed to drive implementation forward and to keep improving the strategy being executed.

Managers at all levels in the organization are involved in the development of an action agenda for implementation and execution. Each manager starting from the headquarters of the organization down to each operating department is involved in providing answers to such questions as “what is required for us to implement part of our overall strategic plan and how can we best get it done?”

When this is properly done, the tasks will involve scrutinizing every operating activity to see what action can be taken in order to improve strategy practices and behaviours in the organization members.
The task of implementing and executing a strategy is a process of moving deliberately to create a variety of “fits” that provides the organization with strategy. The task of consciously fitting the “way we see things around here” to the requirements of first-rate strategy execution, according to Thompson Strickland, produces a strategy- supportive organizational culture and work climate.

However, implementation fails and is defeated completely if the ingrained attitude, and the practices of the managers and employees are hostile or at cross-purposes with the needs of the strategy, and if their customary ways of doing things block strategy implementation instead of facilitating it.

In view of the importance of proper implementation and execution of strategy to an organizations success, Thompson and Strickland suggest that a number of fits are required and they include:

- Strategy and the internal organizational structure
- Strategy and organizational skills/technical know-how/operational capabilities
- Strategy and the allocation of budgets and staff size
- Strategy and the organizations system of reward and incentives
- Strategy and internal policies, practices and procedures.
- Strategy and the internal organizations atmosphere, which are determined by the values and beliefs shared by managers and employees, the philosophies and decision-making styles of senior managers, and other factors that make up the organizations personality and culture.

Broadly speaking, the management task of strategy implementation is done by scrutinizing the whole internal organization to diagnosis what strategy-supportive approaches would be needed and the actions to take to accomplish such strategies. In this task, the different pieces of the implementation plan need to be arranged into a pattern of action that will produce an orderly change from the old strategy to the new strategy. The management will need to ensure that the necessary changes embarked upon will not create disruption and disaster.

In this regard, both the sequence of actions and the speed of implementation are important aspects of uniting the entire organization behind strategy accomplishment. The challenge to the leadership of the organization is how to stimulate the enthusiasm, pride, commitment and dedication of managers and employees such that an organization-wide crusade emerges to carry out the chosen strategy and to achieve the targeted results.

Thompson and Strickland consistently maintain that the two things that lie at the root of what separates the best managed organizations from the rest are:

a. Supervisor entrepreneurship involving a well-conceived strategy plan that positions the organization in the right way at the right time.
b. Competent implementation and execution of the chosen strategy. They noted that a well formulated, well implemented and executed strategy is the surest route to achieving an attractive competitive advantage and enhanced organizational performance over the long term. Practitioners emphatically state that it is a whole lot easier to

develop a sound strategic plan than to implement it or “make it happen”.

1.4 Strategy Implementation and Organizational Structure

The job of a strategy manager is complicated when it comes to implementation due to the number of tasks to be performed and the variety of ways in which each of them can be approached.

For successful implementation of a strategy, it has to be along the organizations overall condition and setting, the nature of the strategy and the amount of strategy change envisaged. That is to say, shifting to a bold new strategy poses different implementation problems than fine-tuning the strategy already in place. Strategy implementation will also have to be guided along the managers own skills, style and methods.

Strategy implementation includes developing an affective organizational structure, redirecting marketing efforts, preparing budgets, developing and utilizing information systems and motivating individuals to act.
Implementing entails mobilizing the employees and managers to put formulated strategies into action. Strategic implementation is the most difficult stage in strategic management. It requires personal and personnel discipline, commitment and sacrifice.

Successful strategy implementation hinges upon the managers ability to motivate employees, which is more of an art than a science. Strategies formulated but not implemented serves no useful purposes.
Strategy implementation activities affect both employees and managers in the organization. Every department, division or unit must be involved. The challenge of implementation is to stimulate managers and employees throughout an organization to work with pride towards achieving stated objectives.

For effective and adequate Strategic implementation, some organizations development corporate culture and whatever strategy is to be implemented must follow that culture. For example, in Japan, there is an employment pool for an organization. This anis is with the concept that the longer an employee is kept in this regard of the corporate cultures “this is the way we do it”. This may create a problem and the strategist must make a decision on how to turn around the fortunes of an ailing organization, in which case he has the line of the organizations culture. There must be the right leadership to implement the necessary strategy in order to achieve the corporate objectives. Usually, an organizations culture is one of the major barriers of strategy implementation. If a change is carried out at all cost, the implementation may fail if consideration is not given to the organization’s culture and structure.

1.5 Matching Organizations Structure Strategy

A few hard and fast rules must be considered for a strategic implementation to be successful. This is because every strategy is grounded in its own set of key success factors and certain critical tasks. Also, every firm has some historical backgrounds based on the previous organizations decisions. The easy way out is to design the internal organizational structure around key success factors and critical tasks inherent in the firms strategy. This implies that the organizations structure must be matched with the formulated strategies for success. To be able to achieve this Thompson and Strickland highlights five sequence procedures as a useful guide for fitting structure to strategy.
They are:

- Pinpoint the key functions and task requisite for successful strategy execution.
- Reflect on how the strategy's critical functions and organizational units relate to those that are routine and to those that provide staff support.
- Make strategic critical business units and functions the main organizational building blocks.
- Determine the degree of authority needed to manage each organizational unit, bearing in mind both benefits and cost of decentralised decision making.
- Provide for co-ordination among the various organizations units
- The organizational structure must fit the size of the organization, the strategy, volatility, complexity of the environment and personnel characteristics.
- Quite often changes in strategy require changes in the way an organization is structured for two major reasons:

i. Structure largely dictates how objectives and policies will be established. Objectives and policies are stated largely in terms of products in an organization whose structure is based on product groups.

ii. Structure dictates how resources would be allocated. If an organizations structure is based on customer groups, then resources would be allocated in that manner. A restructuring gives all top managers added responsibilities and encourage the introduction of new products. However, the structure that is good for one organization may not be good for another.

Note that all successful firms in a given industry do not end to organize themselves in a similar way. For example, consumer good companies tend to emulate the product firm of organization. Small firms tend to be functionally structured (centralized); medium-sized firms tend to be divisionally structured (decentralized); large firms tend to use SBUs or matrix structure. As organizations grow, their structure generally changes from simple to complex as a result of linking together of several basic strategies.

The transition from strategy formulation to strategy implementation requires a shift in responsibilities from strategist to divisional and functional manager. This shift may create implementation problems in responsibilities especially if strategy formulation decision comes as a surprise to middle and lower-level managers.

Mangers and employees are motivated more by perceived self interests than by the organizations interests unless the two coincide. So, it is important that divisional and functional managers be involved as much as possible in strategy formulation and implementation. Managers and other employees throughout an organization should participate early and directly in strategy implementation decisions. Top-down flow of communication is essential for developing bottom-up support.

1.6 Marketing

In addition to organizing culture and structure, marketing is another crucial matter in strategy implementation. No matter the quality and the price of the organizations products if there is no adequate market the company will fail. Marketing must be given serious consideration in strategy implementation.

1.7 Personnel

Equally crucial to strategy implementation is the personnel factor. This may require training of staff to get the desired change through their newly acquired skills and knowledge. No matter how good a strategy may be, if there is no right personnel in the leadership position to implement it, the strategy will fail.

Symptoms of an ineffective organizational structure include too many levels of management, too many meetings attended by too many people, too much attention directed towards unachieved objectives.

Self Assessment Exercise and Answers

1. Explain the manager's challenges of making strategy implementation work.

1.8 Summary

Strategy implementation embraces the full range of managerial activities associated with putting the strategy into place, supervising its pursuit and achieving the targeted result. Successful strategy implementation depends on the skills of working through others, organizing, motivating, culture building and creating stronger fits between strategy and how the organization operates.

1.9 References/Further Readings/Web Resources

Charles, W., H, & Jones, G. R. (2006). *Strategic Management Theory*: An Integrated Approach.

Robson, W. (1977). Strategic Information Systems.

1.10 Possible Answers to Self-Assessment Exercise(s)

Answer to SAEs

1. The manager's challenges of making strategy implementation work are:

- Aligning the strategy with the organization's vision and goals while considering external factors such as market conditions and competition.
- Overcoming resistance to change from employees and ensuring their commitment to the new strategy.
- Allocating resources effectively to support the implementation process.
- Communicating the strategy clearly and consistently to all levels of the organization.
- Managing the timeline and milestones to ensure progress and accountability.
- Identifying and addressing potential barriers and risks that could hinder implementation.
- Developing and maintaining a culture of collaboration and teamwork to support strategy execution.
- Monitoring and measuring progress to track the effectiveness of the implementation efforts.
- Adapting and adjusting the strategy implementation as necessary in response to evolving circumstances.
- Leading and motivating employees throughout the implementation process, fostering a sense of ownership and empowerment.

MODULE 3

UNIT 1 STRATEGY EVALUATION

Unit Structure

1.1 Introduction

This unit deals essentially with strategy evaluation. The need for evaluation of strategies being adopted is properly set out. Evaluation is necessary especially for corrective adjustment.

A good strategy may also need improvement since no condition or situation is permanent. There are many approaches to strategy evaluation as will be seen in this unit.

1.2 Learning Outcomes (LOs)

By the end of this unit, you will be able to:

- explain the importance of assessing strategy effectiveness and performance.
- identify the key components of strategy evaluation, such as data collection, analysis, and reporting.
- explain the purpose and application of each technique.
- evaluate the pros and cons of various strategy evaluation techniques.
- analyse and evaluate different techniques used to evaluate portfolios of projects or investments.

1.3 Reasons for Strategy Evaluation

Strategy formation and strategy implementation are done once and for-all-time in the life of an organization. In both cases, situations arise which warrant corrective adjustment. For instance, a strategy may need to be modified because it is not working well or because the changing environmental conditions necessitate fine-tuning or major overhauling.
Also, a good strategy may require certain improvements. The condition that can require changes in a desirable strategy include changes in the industry's competitive conditions, emergence of new opportunities or threats, new executive leadership and reordering of objectives.

Similarly, the need for strategy implantation evaluation may arise when one or another aspect of implementation does not go well as planned. Other reasons may include changing internal conditions, experiences with current strategy implementation and execution.

Also, strategy evaluation is necessary when testing out new ideas and learning what works and what does not work through trial and error.
All this makes it incumbent on the management to always monitor not only how well the chosen strategy is working but also how well the implementation is going on. The outcome may necessities corrective adjustment if better ways of doing things can be spotted and supported. Consequently, the function of strategy management is ongoing and is not something to be done once and then forgotten or neglected. Strategy evaluation is necessary because success today is not a guarantee of success tomorrow. Success always creates new and different problems.

1.4 Evaluation of Business Strategy

This is the final stage in strategy management. All strategies must be subjected to future modifications because external factors are constantly changing. Three fundamental strategy evaluation activities include

- reviewing external and internal factors, which form the basis for the current strategies,
- measuring performance and
- taking corrective actions.

Since success always creates new and different problems and complacent organizations experience demise, strategy evaluation forms an essential step in the process of guiding an enterprise. It is an appraisal of how well a business performs; that is, how it grows and profits rate: normal, better or worse. This will assist the organization in knowing whether or not the strategy is sound. Strategy evaluation is an attempt to look beyond the obvious regarding the short-term health of business.
The products of proper business strategy evaluation should provide vivid or clear answers to these three basic questions.

- Are the objectives of the business appropriate?
- Are the major policies and plans appropriate?
- Do the results obtained to date confirm or refute the critical assumptions on which the strategy rests?

An implemented strategy must be monitored in order to determine the extent to which it is resulting in the achievement of its set objectives.
Strategic managers must be on the watch out for early signs of the responsiveness of the market place to their strategies. They must also provide the means for monitoring and controlling to ensure that their strategic plan is followed adequately, properly and correctly. The underlining and ultimate test of a strategy is its proven ability to achieve its ends, i.e., the actual annual objectives, long-term objectives and mission.

In the final analysis, a company is said to be successful if only its strategy achieves its objectives.

1.5 Approaches to Strategy Evaluation

Approaches to strategy evaluation at the corporate level vary with a firms make up. In an enterprise with a broad-based diverse revenue base, the main analytical considerations are.

- appraising the health of the firms portfolio;
- diagnosing the relative long-term attractiveness of each business in the portfolio;
- choosing when and how to upgrade the performance of the total business portfolio. This should be through stronger co-ordination and management of the existing business, the addition of new business units to the firms makeup and/or divestiture of the weak performers and misfits.

In diversified firms, corporate managers do little more than review and approve line-of-business strategies. On some occasions, they may suggest broad business strategy direction. However, the specifics of business level and functional area strategies are typically delegated to subordinate managers with profit-and-loss responsibility for particular business units and product lines. Usually, creating a fit between corporate and business strategies is something that corporate managers and business unit managers often negotiate.

Internal consensus must be reached regarding whether and how related activities of the various business units will be coordinated. Corporate management has to be convinced that the chosen business-level strategy has an attractive corporate payoff and is willing to provide whatever corporate level resources are needed for successful strategy implementation. It should be noted that business strategy must be responsive to corporate priorities and match up with both corporate resources and long-term direction. So, there is a two-way traffic between the analysis of corporate and business strategies.

The situation of the single-business enterprise contrasts that of the diversified firms. In single-business or dominant-business enterprises evaluating the strategy of the core business is the centre of corporate headquarters‟ attention. After this, diversification and other portfolio questions in relation with corporate strategy could be addressed. In this type of a firm, corporate strategy and business strategy analysis are not divorced for the following reasons:

a. Activities outside the core business contribute minimally to the sales and the profits.
b. The questions of where do we go from here hinges on the health and attractiveness of the main business. So, in dominant-business companies, corporate strategy takes its clues from the business strategy instead of the reverse.

Whichever kind of approach is adopted, sound strategy analysis starts with a probing of the organizations present strategy and business makeup.

1.6 Techniques of Portfolio Evaluation

The major techniques of identifying and evaluating portfolio of business in any organization are:

1. Boston Consulting Growth (BCG) or growth share matrix.
2. The GE 9-cell directional approach.
3. Hofer author d. little product/market evolution matrix
4. The General Electric model.

But by far, the most popular approach is the BCG approach or the growth share matrix.

1.7 Growth Share Matrix for Evaluating Diversified Portfolios

The most popular analytical technique for evaluating the overall makeup of a diversified growth of business units involves the use of Boston Consulting Growth (BCG) or growth share matrix. This involves the construction of a business portfolio matrix which is a two-dimensional graphic portfolio of the comparative positions of different businesses.
The revealing variables in this approach have been industry growth rate, market share, long-term industry attractiveness, competitive strength and stage of product or market evaluation.

The use of two-dimensional business portfolio matrix as a tool for corporate strategy evaluation is based on relative simplicity of constructing them as well as the clarity of the overall picture that they produce.

The first business portfolio matrix to receive widespread usage was a four-square grip pioneered by Boston Consulting Group (BCG). The matrix is found using industry growth rate and relative market share as the axes. Each business unit in the corporate portfolio appears as a "bubble" on the four-cell matrix with the size of each "bubble" or circle scaled according to the percent of revenues it represents in the overall corporate portfolio.

The BCG technique arbitrarily places the dividing line between "high" and "low" industry growth rates at around twice the real GND growth rate plus inflation.

1.7.1 Relative Market Share

This is defined as the ratio of a business market share to the market share held by the largest rival firm in the industry. The market share is measured in terms of unit volume and not in naira.
Example 1: Assume business A has 15% share of the industry's total volume and the share held by the largest rival is 30%, then A's relative market share is 0.5.

Example 2: If business B has a market-leading share of 40% and its largest rival has a 30% share, then B's relative market share is 1.33
The implication of BCG relative market share matrix is that only business units will have relative market share values greater than one. The business units in the portfolio that trails behind the rival firms in the market share will have ratios below 1.0.

The most stringent BCG standard calls for the border between "high" or "low" relative market shares with the grid to be set at 1.0. A ratio of 0.10 indicates that the business has a market share of only 1.10 of the market shares of the largest firm in the market while a ratio of 0.80 indicates a market share that is 4/5 or 80% as big as the leading firms share. However, locating the dividing line between "high" and "low" at about 0.75 (75%) or 0.8 (80%) is a reasonable compromise.

The advantages of using relative market share include:

i. It is a better indicator of comparative market strength and competitive position.
ii. It is more likely a reflection of relative cost based on experience in producing the product and economy of large-scale production.

1.7.2 Question Marks and Problem Children

Rapid market growth makes such business units to be attractive. They have relatively low market share which raises the doubt on the possibility of the profit potential associated with market growth being realistically captured, hence the question mark designation.
Question mark businesses have financial needs because of their low market share and thinner profit margins. The challenge to the strategic decision maker is to decide whether it is worthwhile to use the corporate money to support the question mark business. BCG recommends two options for this group of businesses, namely,

i. Aggressive grow-and-build strategy to capitalize on the high growth opportunity.

ii. Divestiture, in event that the grow-and-build strategy constitutes too much of a financial risk.

Therefore, the strategy prescription for managing questions mark/problem children business is to divest those that are weaker and less attractive and groom the attractive ones to become tomorrow's "stars".

1.7.3 Stars

The "stars" are the businesses with high relative market share position in high growth markets. They offer both excellent profit and excellent growth opportunities. The business enterprises depend on them to boost overall performance of the total portfolio.
Stars require large cash investments to support expansion of production facilities and working capital needs. They often tend to generate their own large internal cash flows because of low-cost advantage resulting from economies of scale and production experience.
According to BCG, some stars are virtually self-sustaining in terms of cash flow and make little demand on the corporate purse. Yong stars however, require substantial investment capital beyond what they can generate on their own and may thus be cash hogs.

1.7.4 Cash Cows

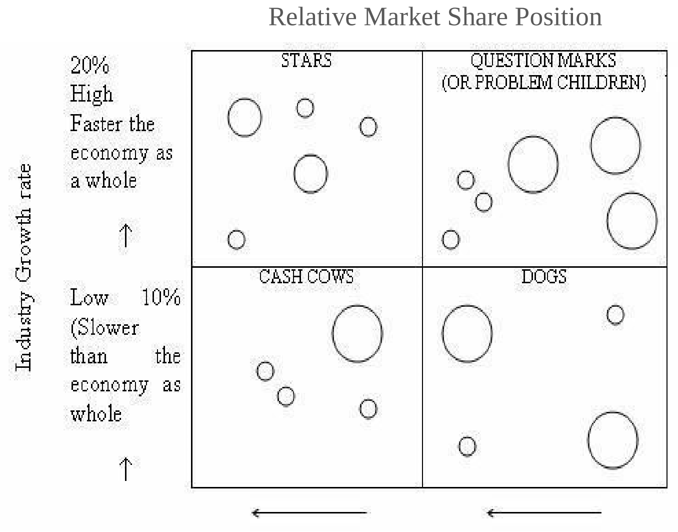
These are businesses with a high relative market share in a low-growth market. Their position tends to yield substantial cash surplus over and above what is needed for reinvestment and growth in the business.
"Many of today's cash cows are yesterday's stars" is a popular phrase in strategic management. From the growth standpoint, cash cows are less attractive but they are very valuable because they can be "milking" for their cash to pay corporate dividends and corporate overhead. They provide the cash for financing new acquisitions and the funds for investing in young stars and problem children that are groomed as the next round of stars. It means that the "cash cows provide the naira to „feed‟ the cash hogs". Usually, strong cash cows are not harvested but are maintained in a health status to sustain long-term cash flow. Weak cash cows may be designated as prime candidates for harvesting and eventual divestiture if their industry becomes unattractive.

1.7.5 Dogs

Dogs are businesses with low growth and low relative market share in the BCG matrix. This is because of their weak competitive position resulting perhaps, from high cost, low-quality products and less effective marketing. They also have low profit potential that often accompanies slow growth or impending market decline. Dogs are unable to generate attractive cash flows on a long-term basis; sometimes they do not produce enough cash to fund a hold-and-maintain strategy. The BCG prescription is that dogs be harvested, divested or liquidated depending on the alternative that yields the most attractive amount of cash for redeploying to other businesses or to new acquisitions.

The implication of BCG matrix for corporate strategy it draws attention to the cash flow and investment characteristics of various types of businesses in order to optimize the long-term strategic position and performance of the corporate portfolio. The weaker and less attractive question mark businesses not worthy of financial investment necessary to fund a long-term grow-and-build strategy are portfolio liabilities.
Dogs are retained only as long as they can contribute positive cash flow and not tie up assets and resources that could be more profitably redeployed.

There are two disaster sequences in the BCG scheme: when a star's position in the matrix erodes over time to that of a problem child then it falls to become a dog and when a cash cow loses a market leadership to the point where it becomes a hog on the decline. Other strategic mistakes include over investing in a safe cash cow; under investing in a question mark so that instead of moving into the "star" category, it tumbles into a dog; and short gunning resources thinly over many question marks rather than concentrating them in the best question mark to boost their chances of becoming "stars" not harvested but are maintained in a healthy status to sustain long-term cash flow.



1.8 The BCG Growth Share Business Portfolio Matrix

Figure 8: The BCG Growth Share Business Portfolio Matrix

Self-Assessment Exercises

1. Briefly enumerate the strengths and weaknesses of BCG A-cell matrix for business portfolio evaluation

1.9 Summary

This unit considers the reasons for strategy evaluation. It gives the approaches and techniques for strategy and businesses portfolio evaluation. The unit enumerates the strengths and weaknesses of BCG approach in detail. It gives the obvious reasons for the creation of additional techniques of evaluation to address the shortcomings of BCG-4-cell approach.

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1.11 Possible Answers to Self-Assessment Exercise(s)

Answer to SAEs

1. Strengths of BCG A-Cell Matrix for Business Portfolio Evaluation:

- Simplifies complex business portfolios into a visual representation.
- Provides a clear framework for analysing and evaluating business units.
- Emphasizes the importance of market growth and relative market share as key metrics.
- Helps identify high-growth potential units and allocate resources accordingly.
- Facilitates strategic decision-making by highlighting areas for investment or divestment.
- Promotes a balanced portfolio approach by considering both cash cows and question marks.
- Encourages managers to assess their businesses in relation to competitors.
- Allows for quick comparisons between different units and industries.
- Provides a basis for resource allocation and prioritization.
- Supports discussions and communication within the organization about portfolio management.
- Weaknesses of BCG A-Cell Matrix for Business Portfolio Evaluation:
- Oversimplifies complex business dynamics and may not capture all relevant factors.
- Relies heavily on market growth and market share, neglecting other important variables.
- Assumes that high market share is always desirable, which may not be the case in all industries.
- Ignores potential synergies or strategic fit between different business units.
- Does not consider external environmental factors, such as technological advancements or regulatory changes.
- Limited applicability to industries or businesses with unique characteristics or strategies.
- Tends to focus on the current state and may not adequately consider future potential.
- Lacks a clear methodology for assigning units to specific cells.

- Can lead to oversights in assessing the value of intangible assets or capabilities.
- Relies on subjective judgments and may be influenced by biases or limited information.

UNIT 2 STRATEGY EVALUATION USING OTHER TECHNIQUES

Unit Structure

1.1 Introduction

This unit is important in view of the various shortcomings that are associated with BCG portfolio evaluation. These observed weaknesses of BCG created the obvious need for more probing techniques of business strategy evaluation. These are considered in this unit. Other approaches include General Electric Motor (GE) approach and the life cycle matrix approaches, which take care of some of BCG's weaknesses.

1.2 Learning Outcomes (LOs)

By the end of this unit, you will be able to:

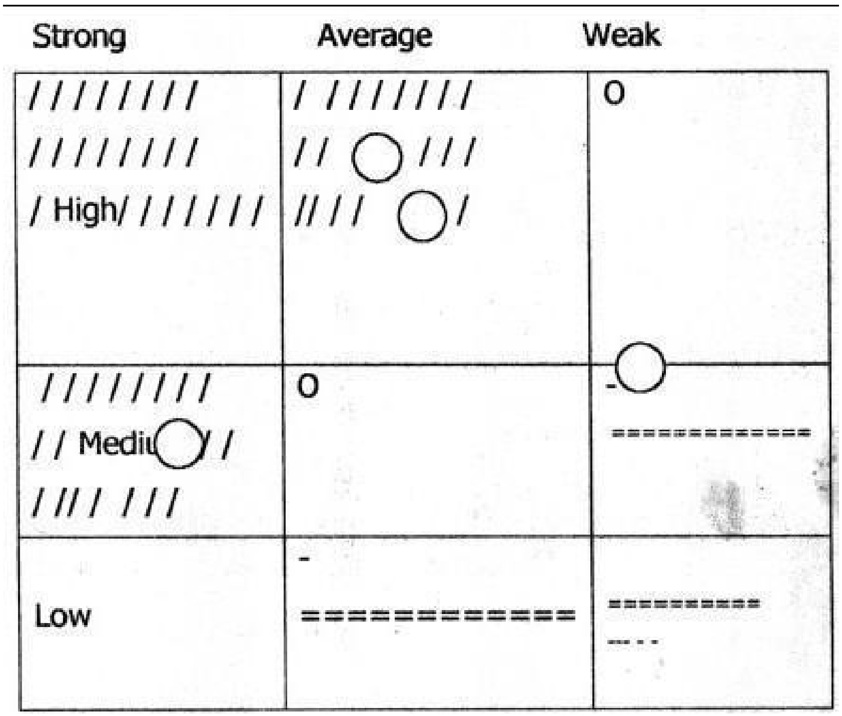
- identify and articulate the shortcomings of the BCG matrix.
- analyse corporate strategies in relation to the organization's goals, the competitive environment, and market conditions.
- design and develop a lifecycle matrix that considers the different stages of a product or business lifecycle.
- explain the factors that impact corporate strategy effectiveness beyond traditional metrics.
- discuss on strategy evaluation, considering multiple dimensions and factors that contribute to effectiveness and success.

1.3 The Need for Other Techniques of Strategy Evaluation

There is need for other techniques of strategy evaluation. This need arises out of the observable weaknesses or shortcomings of BCG growth share matrix.

1.4 Shortcomings of BCG

- The BCG 4-cell matrix is based on high-low classification. This hides the fact that there are "average" growth rates to be classified neither as high nor low; medium and high may be better.
- It may be misleading to neatly categorize all businesses or members of a business portfolio into just four types of businesses: cash cow star, dogs and question marks. Some market leaders may be getting stronger while others are getting weaker. A few one-time starts or cash cows have ended up in bankruptcy. Hence, the characteristics to assess are the trend in a firms relative market share, i.e., is it gaining ground or losing ground and why? This particular weakness of BCG can be corrected by indicating each business present and future position in the matrix.
- Bell and Hammond (1979) particularly argue that BCG matrix is not a reliable indicator relative to investment opportunity across business units. They state that investing in a star is not necessarily more attractive than investing in a lucrative cash cow. The matrix results are silent over when a question mark business is a potential winner or being likely loser. The matrix also says nothing about a shrewd investment becoming a string dog, star or a cash cow.
- The connection between relative market share and profitability is not as light as the experience curve effect implies. The importance of cumulative production experience in lowering unit cost varies from industry to industry
- A thorough assessment of the relative long-term attractiveness of business units in the business portfolio requires an examination of more than just marketing growth and relative share variables.
- Being a market leader in a slow–growth industry is not a sure guarantee of cash status because
- the investment requirements of a hold-and-maintain strategy, given the impact of information on the cost of replacing worn-out facilities and equipment, can soak up much, if not all, of the available internal cash flow, and
- as market matures, competitive forces often stiffen, and ensure a vigorous battle for volume and market share, can shrink profit margins and surplus cash flows.
- Consequent upon these shortcomings, an alternative approach that avoids some of the shortcomings of the BCGs growth can be sought with the help from the consulting firm of McKinley and company. The GE effort is a 9-cell portfolio matrix based on the two dimensions of long-term product market attractiveness and business strength/ competitive position.



In the GE 9-cell matrix, as shown in Fig. 9 the area of the circles is proportional to the size of the industry, and the pie slices within the circles reflect the business market share.

Fig. 9: General Electric 9-cell business portfolio matrix

The vertical axis represents each industry's long-term attractiveness. This is defined as a composite weighting of market growth rate, market size, historical and projected industry profitability, market structure and competitive intensity, economies of scale, seasonality and cyclical influences, technological and capital requirement, emerging threats and opportunities, and social environmental and regulatory influences.
In this procedure, each industry is assigned an attractive importance and each business is rated on each factor, using a 1 to 5 rating scale. A weighted composite rating is thus obtained.

Example:

	Industry attractiveness factor:	Weight	Rating	Value
1	Market size	0.15	5	0.75
2	Project rate of market growth	0.20	1	0.20
3	Historical and projected profitability	0.10	1	0.10
4	Intensity of competition	0.20	5	1.00
5	Emerging opportunities	0.15	1	0.15
6	Seasonality and cyclical influence	0.05	2	0.10
7	Technological and capital require	0.10	3	0.30
8	Environmental impact	0.05	4	0.20
9	Social/political regularity factor must be acceptable		-	-
	Acceptable	1.0		2.90

Thus, each business is rated using this approach to arrive at a measure of business strength and competitive position. The competitive values for long-term product market attractiveness and business/competitive position are then used to plot each business position in the matrix.

1.5 The Corporate Strategy Implication

1. The vertical lines consisting of three cells at the upper left indicate that long-term industry attractiveness and business strength/competitive position are favourable. The businesses in these zones are given a high priority in terms of fund allocation.
2. The second zone, i.e., the un-shaded zone, comprising these three cells which usually carry medium investment allocation. The strategy to be adopted here is hold-and maintain.
3. The third zone, i.e., the horizontal lines, is composed of the 3 cells in the lower right corner of the matrix.

The strategy prescription here is typically harvest or divest. However, in every exceptional case, such a business can be rebuilt or repositioned using a turn around approach.

The 9-cell GE approach has some merits. It is a 3-cell GE approach which is as follows:

a. It allows for intermediate ranking between high and low, and between strong and weak.
b. It considers much wider varieties of strategically relevant variables.
c. It emphasis channelling of corporate resources to those businesses that combine medium-to-high product-market attractiveness with average-to-strong business strength or competitive position. The fact is that the greatest probability of competitive advantage and superior performance lies in these combinations.

1.6 The Lifecycle Matrix

In order to identify a developing winner type of business, Hofer (1978) has developed a 15-cell matrix in which business is plotted in terms of stage of industry evolution and competitive position. This is supposed to be an improvement over the 9–cell GE approach. Just as in the previous approaches the cycles represent the sizes of the industries involved and the pie wedges denote the business market share.

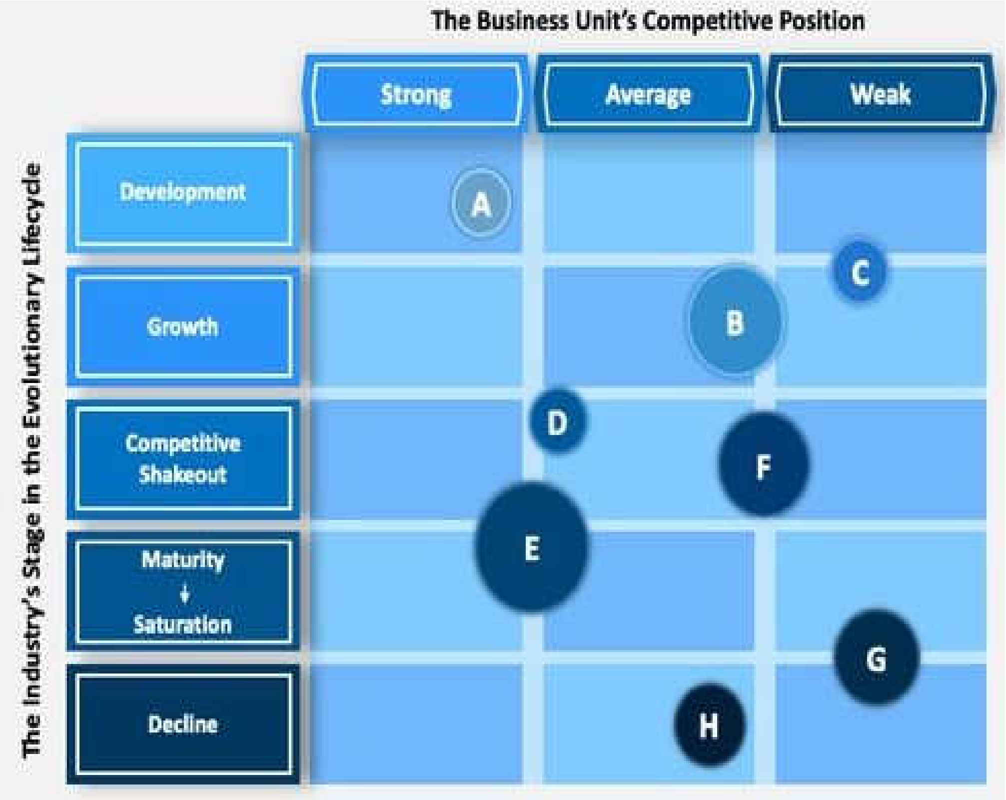


Table 5: The life-cycle portfolio matrix
Adapted from C.W Hofer: Conceptual construct for formulating corporate strategies/Boston Harvard case services, 378-754, 1977).

In Table 5, A would appear to be a developing winner and C would be a potential loser, E is an established winner, F is a cash cow and G is a loser or a dog.

The strength of the lifecycle matrix is the story it tells about the distribution of the firms business across the stages of the industry evolution. It should be noted that each of the matrix types has its pros and cons. Thus, there is no need to vehemently insist on the choice of the matrix to use.

The most important thing is to have a good analytical accuracy and completeness in describing the firms current portfolio position just for the purpose of knowing how to manage the portfolio as a whole and get the best performance from the allocation of the corporate resources.

1.7 Evaluating Corporate Strategy by Using More Probing Factors

The construction of business portfolio matrixes has been identified as the step in evaluating diversified forms of current strategic situations. This is because of the insight and clarity they provide about the overall character of a firms business build up. However, business portfolio analysis does not constitute the whole corporate strategy evaluation process. A business portfolio matrix offers a snapshot comparison of different business units and some general prescriptions for the direction of the business strategy. But this is too simple a framework on which to base long-term direction-setting, make strategic decision and allocate huge corporate resources. In the light of this, more probing into the status and prospects of each business unit in the portfolio is needed to guide corporate strategy decision. The needed probing required has been well explained by Hofer and Schendel (1978). The steps involved include these.

a. Construct a summary profile of the industry environment and competitive environment of each business unit.
b. Appraise each business units strength and competitive position in its industry; understand how each business unit ranks against its rivals and the key factor for competitive success. This affords corporate managers a basis for judging the business units chances for real success in its industry.
c. Identify and compare the specific external opportunities threats and strategic issues peculiar to each business units situation.
d. Determine the total amount of corporate financial support needed to fund each units business strategy and what corporate skills and resources could be deployed to boast the competitive strength of the various business units.
e. Compare the relative attractiveness of different businesses in the corporate portfolio. This includes industry attractiveness/business strength and a look at how the different business units compare on various historical and projected performance measures such as sales profit margins and return on investment.
f. Check the overall portfolio to ascertain that the mix of the businesses are all well balanced, i.e., there are not too many losers or question marks, not too mature business that can slow down corporate growth. But there should be enough cash producers to support the stars and develop winners, too few dependable profit performances as suggested by Thompson and Strickland (1987).

Self-Assessment Exercises

1.	Explain in detailed the merits of BCG model of strategy evaluation.

1.8 Summary

BCG method of strategy evaluation is a very popular and well acceptable technique. But in spite of this popularity and acceptability, certain weaknesses have been identified with it. These weaknesses are addressed by some other techniques which, though not so popular and common, serve very useful purposes in strategy evaluation. Such techniques are the lifecycles portfolio and the 9-cell GE approach.

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1.10 Possible Answers to Self-Assessment Exercise(s)

Answer to SAEs

1. The BCG (Boston Consulting Group) model, also known as the growth-share matrix, is a strategic tool used for evaluating and managing a company's portfolio of business units or product lines. Developed by the Boston Consulting Group, the BCG model provides a visual representation of a company's various business units based on their market growth rate and relative market share.

Here are the merits of using the BCG model for strategy evaluation:

i. The BCG model facilitates portfolio analysis by categorizing a company's business units into four distinct quadrants: Stars, Cash Cows, Question Marks (also known as Problem Children or Wildcards), and Dogs. This classification helps identify the relative position and strategic importance of each unit.

ii. The BCG model aids in resource allocation decisions by guiding managers on how to allocate resources effectively across different business units. It recognizes that different units require different levels of investment and resources depending on their growth potential and competitive position.

iii. The BCG model assists in defining strategic direction by highlighting the growth prospects and market attractiveness of different business units. It allows managers to prioritize investment in units with high growth potential and divest or reposition those with low potential.

iv. The BCG model enables profitability analysis by considering the relationship between a business unit's market share and its potential for generating profits. Cash Cows, for example, are typically high-profit generators, while Question Marks require significant investment but have an uncertain profit outlook.

v. The BCG model helps manage risk by identifying potential risks associated with different business units. Units in the Question Marks category, for instance, may have higher risks due to market uncertainty, whereas Dogs may pose minimal risks but lack growth potential.

vi. The BCG model encourages strategic synergies by highlighting opportunities for collaboration and resource sharing among different business units. It can identify areas where cross-selling, joint ventures, or sharing of capabilities can be leveraged for mutual benefit.

UNIT 3 STRATEGY IMPLEMENTATION AND CONTROL

Unit Structure

1.1 Introduction

Management control ensures the human physical and technological resources are allocated and utilized to achieve the overall purpose of the organization. The feedback control is about monitoring the outputs desired against outputs achieved. There are many ways of management control which include feedback, feed forward, bench-marking and auditing. Most of these are usually employed by progressive organization.

1.2 Learning Outcomes (LOs)

By the end of this unit, you will be able to:

- identify potential problems and apply problem-solving skills to address them, thereby ensuring a smooth strategy implementation process.
- assess the strategy implementation process, identify gaps or shortcomings, and apply analytical thinking to make necessary improvements for enhancing overall effectiveness.
- gain an understanding of financial management principles and practices to ensure the availability and proper allocation of financial resources necessary for achieving strategic objectives.

- develop skills in monitoring and evaluation, data analysis, and problem-solving to assess the progress and outcomes of strategy implementation, identify deviations, determine root causes, and take appropriate corrective actions for improved future performance.
- analyse organizational performance, benchmark against industry standards, identify areas for improvement, and implement strategic changes to align with or surpass industry benchmarks.
- develop analytical and problem-solving skills to identify root causes of problems, propose and evaluate corrective actions, and effectively implement solutions to address organizational challenges.

1.3 Control

Control is a process whereby management ensures that the organization is achieving the desired objectives. It is a set of organized (adaptive) actions directed towards achieving specific goals in the face of constraints (Wilson and Gilligan, 1997). The existence of a control process enables management to know from time to time where the organization stands in relation to the organizations goals. This implies that progress should be observed, measured and redirected if there are discrepancies between the actual and the desired positions. Control and planning are complementary and each should logically pre-suppose the existence of the other. Maciariello (1984) gives the following definition of management control (MC) and management control system (MCS).

Management control is the process of ensuring that the human, physical and technological resources are allocated so as to achieve the overall purposes of an organization. An MCS attempts to bring unity of purpose to the diverse efforts of a multitude of organizations and the managers towards its objectives and goals. An MCS consist of a structure and a process.

However, the interpersonal nature of control within an organization needs to be recognised in order to relate to motivation, goal congruence and the reward system as indicated by Hosted (1968) who states that “control within an organization system is the process by which one element (person, group, norm, machine or institution) intentionally affects the action of another elements”.

Strategy is seen as being related to control. However, it can be treated separately. This is because it is possible for an enterprise with good strategies to fail, when the control system is poor and vice versa. In general, the better the formulation of a strategy, the greater will be the

number of feasible control alternatives and the easier their implementation is likely to be, according to Wilson and Gilligan.
Anthony (1988) refers both to the hanks between control and strategic implementation on one hand and the interaction among the individuals on the other. He says that “control is used in the sense of assuring implementation of strategies. The management control functions include making the plans that are necessary to assure that strategies are implemented.

Management control is the process by which managers influence other members of the organization to implement the organizations strategies. There are different ways by which an organization carries out its management control. They do this by, feed forward, auditing, budgeting, feedback and bench-marking systems. These methods shall be considered in brief.

1.3.1 Feed Forward Control

This is defined as “a measurement and prediction system which assesses the system and predicts the out put of the system at some future date” Bhaskar and Housden (1985). This differs from a feedback system in that it seeks to anticipate and thereby to avoid deviations between actual and desired outcomes.

According to Costing (1982), the components of feed forward control system are:

a. An operating process which converts an input to output.
b. A characteristic of the process which is the subject of the control.
c. A measurement system which assesses the state of the process and its input and attempts to predict its output.
d. A set of standards and or criteria by which the predicted state of the process can be evaluated.
e. A regulator, which compares the predictions of process outputs to the standards and which takes corrective action where there is likely to be a deviation.

For the effectiveness of feed forward system, it must be based on a reasonable predictable relationship between inputs and outputs, i.e., there must be an adequate degree of understanding of the way in which the organization functions.

1.3.2 Audit

This is an approach towards assessing marketing effectiveness Kotler (1984) offer the view that auditing is the ultimate control measure. It evaluates performance in terms of input used, output generated and the assumptions underlying the marketing strategies used. The ranges of possible audits include:

- self audit
- audit from across, i.e., by colleagues in another function
- audit from above, by the manager or superior company audit office
- company task-force audit, i.e., a team set up specifically to conduct the audit,
- outside auditors.

It is usually better to have a combination of these methods.

1.3.3 Budgeting

A budget is a quantitative plan of action that aides in the co-ordination and control of acquisition, allocation and utilisation of resources over a given period of time. Budgeting is also known as profit planning. It is the widest ranging control technique. It covers the entire organization rather than to a section of it. Typically, budget is compiled on an annual basis. The time span can however, be broken into half-a-year, quarterly, monthly and even weekly. Regardless of whether the budget is a long-term or short-term one, continuous or periodic budget, the fundamental requirements that should be met include the following:

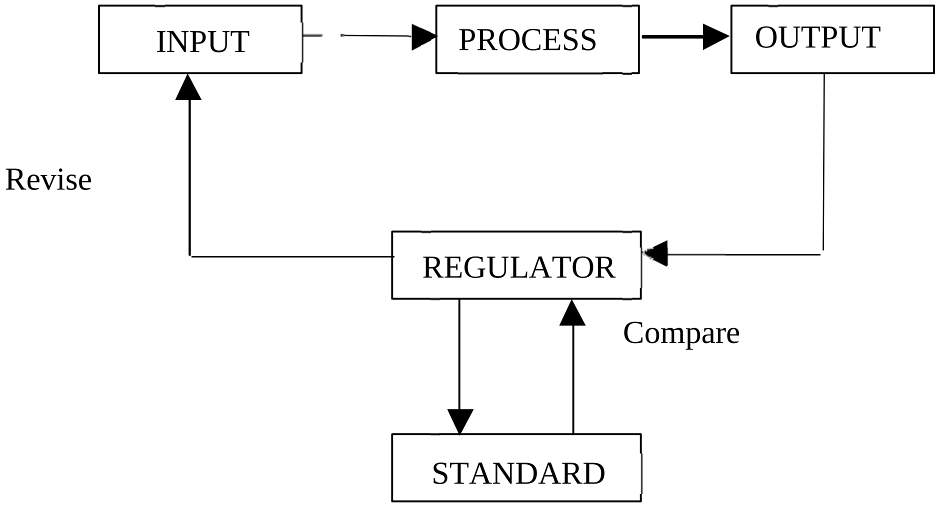
- established objectives
- top management support and sponsorship
- knowledge of cost behaviour
- flexibility
- a specific time period
- adequate system support
- effective organizational structure
- sufficient level of education in budgetary practice.

1.3.4 Feedback Control

Feedback control is about monitoring of outputs achieved against desired outputs from time to time and to take whatever corrective action is necessary if a deviation exist. This is referred to as the feedback control. The feedback control system is depicted in Fig. 10.

The feedback control entails honking outputs with letter elements within the system. It may be termed close-loop control system.

Fig. 10: A feedback control system



Feedback control should ensure self-regulation in the face of changing circumstances once the control system has been designed and installed. The importance of feedback control is found in homeostasis which defines the process whereby key variables are maintained in a state of equilibrium even when there are environmental disturbances. For example, if a company plans to sell 100,000 strategic management books, in the next 12 months and by the end of the third month, the pattern of demand falls to 80,000 books due to the launch by another company of a good strategic management book which is a competing book. After another three months, the competitor puts up the price of his own book while the original company holds its own price constant. By this technique the demand may increase to 150,000 units. The feedback signals should ensure that the company is aware through monthly reports, may be of the archival sales versus planned sales. So, the launch of the strategic management book by a competitor would be identified as the reason why sales levels were below expectations in the early period of the first three months.

In response to the derivations between actual and desired results (feedback) an explanation must be found and actions taken to make corrections. Such corrective measures may include amending production plans to print fewer (or more) books, allowing inventory level to fall (or rise) to meet the new demand pattern and modification of the promotional plans to counter competitive activities. These could all come from a feedback control system.

However, if the derivations (variances) from the feedback are minor it may be possible for the process to absorb them without any modification. Inventory control system could just be designed to accommodate such minor variations between the expected and the actual levels of demand with buffer stocks being prepared for the purpose.

In the case of extreme situations in which the stock has to change from 100,000 to 80,000 and 150,000 units, the inputs have to be amended deliberately as soon as the cause of the variations has been identified. There is usually a cost associated with variance, which tend to be proportional to the length of time it takes to identify and correct the variations. Cushing (1982) suggests some principles for the proper functioning of a feedback control system which include:

- The benefits from the system should be at least as great as the costs of developing, installing and operating it. It is often difficult to specify precisely the benefits (except in situations
- Variance, once measured should be reported quickly to facilitate prompt control action.
- Feedback reports should be simple, easy to understand and highlight the significant factors requiring managerial attention.
- Feedback control systems should be integrated with the organizational structure of which they are part.
- The boundaries of each process are subject to control and should be within a given managers span of control.

1.3.5 Bench-Marking Control

The bench-marking control system is an analytical process through which an enterprise's performance can be compared with that of its competitors. It is used by organizations such as Xerox and Ford in order to be able to evaluate the following:

- Identify the key performance measures for each business function.
- Measure one's own performance and that of the competitors.
- Identify areas of competitive advantage or disadvantage by comparing performance levels.
- Design and implement plans to improve ones own performance on key issues relative to competitors.

Bench-marking is applicable in other functional areas with the potential to help change the corporate culture, if properly communicated throughout the organization. In the case of bench-marking products or services offered by customers but not by itself, an enterprise's senior

manager can gain insights to guide its decisions by keeping abreast of new developments. In this way, it will be easier to assess how to respond.
When considering how to take corrective action, it is important to make an assessment of the probable response of competitors to any action that might be taken. This is a vital aspect of strategic behaviour. It is expected that the identities of the competitors are known (both actual and potential), and profiled. The possible responses from them can then be explored, taking into account conjectures regarding the beliefs that the competitors have of one's own enterprise including its resources, capabilities and strategies.

1.4 Process of Making Corrective Adjustment

There is no one strategic plan or strategic scheme for implementation that can foresee all the events and problems that may arise in future. Adjustment making or "mid-course" corrections are normal and a necessary part of strategic management.

When there is a need to react or respond to a new condition involving the strategy or strategy implementation, the process of what to do has to be evaluated. This evaluation must consider whether the action should be immediate or whether the time permits a more deliberate response. In cases where time permits a full-fledged evaluation, strategy managers prefer a process of solidifying commitment to a response. This approach includes these:

1. To stay flexible and keep a number of options open.
2. To ask a lot of questions.
3. To gain in-depth information from specialists.
4. To encourage subordinates to participate in developing alternatives and proposing solutions.
5. To get the reactions of many people to proposed solutions as a test of their potential and political acceptability.
6. To seek to build commitment to a response by gradually moving towards a consensus solution.

The overriding principle seems to be to make a final decision as late as possible so as to make as much information to bear as is needed; or let the situation clarify enough to know what to do or allow the various political constituencies and power basis within the organization to move towards a consensus solution
Corrective adjustment to strategy need not be just reactive. A proactive adjustment constitutes a second approach to improving strategy or its implementation. The distinctive feature of a proactive posture is that adjusting actions arise out of management's own drives and initiatives for better performance as opposed to forced reactions. Successful strategy

managers have been known and observed to employ a variety of proactive tactics.

The key feature of strategic management is that the job of formulating and implementing a strategy is not one of steering a clear-cut, linear course of carrying out the original strategy intact according to some perceived and highly detailed implementation plan. Rather, it is one of operatively (1) adapting and reshaping strategy to unfolding events (2) employing analytical-behavioural-political techniques to bring internal activities and attitudes into alignment with strategy. The process is interactive, looping and re-cycling to fine-tune and adjust in a congruously evolving process where the conceptually separate acts of strategy formulation and strategy implementation blur and joint together. Corrective active action comes after plan implementation, performance monitoring and analysis of significant valances. For example, how should an enterprise respond to changes in the environment? Usually, there are many ways. However, Barrett (1986) points out two opposing possibilities. The two approaches are as follows:

1.4.1 Deterministic Approach

In this approach, it is felt that the enterprise's environment determines its actions, its strategies and structure. The idea of adaptation to environmental change is hereby taken to an extreme. It is a known fact that changes in the environment, either in the form of opportunities or threats, will result in a competitive strategy. The implementation of these changes may bring about changes in the organizations structure.

1.4.2 Strategic Approach

Contrary to the deterministic approach, strategic approach sees the environment as constraining the enterprise's freedom of action rather than determining the action. It therefore, concentrates more on the Enterprise's strengths and weaknesses and its ability to influence its environment rather than simply being influences by the environment. A good example is the strategy of raising barriers to entry which modifies the environment against the interests of potential competitors.

In these two approaches, management intelligence has a lot of roles to play by identifying environmental changes as a basis for reactive or proactive responses.

1.5 Strategy Implementation and Control

The successful implementation of a strategy is not easy. And if implementation is left to compete with internal pressures of coping with

crises, reacting to competitors action, company policies and personal career needs, it is most likely to be disrupted.
Plan implementation poses a fundamental dilemma. This is because, to be effective, forces leading to organizational integration must be reconciled with forces leading to organizational segmentation (Lawrence and Lor Sch, 1967). There are two opposing forces. To achieve a balance therefore, the following have to be considered.

a. The messages of the plan should be communicated so that there will be a proper understanding of the plan.
b. There should be a clear recognition of what the plan says, so that the all those who have a role to play in the plan implementation are aware of their roles.
c. There should be a consensus about the wisdom of pursuing the plan in order to secure commitment to its accomplishment.

1.6 Strategy Implementation and Information Control

The effectiveness of a manager on his job will depend on how much, how relevant and how good his information is, and how well he interprets and acts on such information. Usually, the complaint is that the information is too late, is of the wrong type, unverified or even suppressed. So, for information to be of value, it must be clear, detailed, timely, accurate and complete and must not contain vague figures thrown out by an unplanned system. The information must be explicit.

Self-Assessment Exercises

1. Differentiate between strategy evaluation and management control system.

1.7 Summary

This unit identifies strategy evaluation and management control as essential ingredients, and integral parts, of any organizations activity. Both strategy evaluation and control are complementary. The control system involves budgeting, auditing, feedback, feed forward and bench-marking control.

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1.9 Possible Answers to Self-Assessment Exercise(s)

Answer to SAEs

1. Strategy evaluation focuses on assessing the effectiveness and appropriateness of an organization's strategic direction, objectives, and plans, ensuring they align with the changing external environment. It involves monitoring performance, reviewing the implementation of strategies, and making adjustments as necessary.

Management control systems, on the other hand, are tools and processes used to measure and regulate organizational activities, ensuring they are consistent with strategic objectives and organizational goals. They primarily focus on monitoring and controlling operational processes, resource allocation, and performance measures within the established strategic framework. While strategy evaluation is more concerned with the big picture and strategic alignment, management control systems are oriented towards operational efficiency and performance measurement.

UNIT 4 STRATEGY IMPLEMENTATION AND ORGANIZATIONAL CULTURE, LEADERSHIP AND REWARDS

Unit Structure

1.1 Introduction

This unit addresses the relationship between an organizations culture, leadership and rewards. The unit highlights how an organizations strategy supportive culture can enhance high performance. It is also important to create a spirit of high performance in the organization and to link rewards to the level of performance. Adequate policies are to be put in place by the leadership to ensure that those who fail to perform are not unduly punished but are encouraged to come up with bright ideas next time.

1.2 Learning Outcomes (LOs)

By the end of this unit, you will be able to:

- discuss how organizational culture can influence the implementation of strategies, and identify specific ways in which culture can either support or hinder strategy execution.
- identify the crucial role of leadership in driving and achieving organizational goals, and comprehend the key qualities and behaviours that effective leaders possess.
- explain the fundamental importance of motivation within an organizational context, and gain insights into various motivational theories and strategies that can be applied to enhance employee performance and engagement.

- identify the significance of providing adequate rewards and recognition to high-performing personnel, and understand how a well-designed reward system can incentivize and reinforce desired behaviours and outcomes.
- gain a comprehensive understanding of the relationship between strategy and culture, and acquire the ability to analyse and align organizational culture with strategic goals to enhance performance and competitive advantage.

1.3 Administrative Components of Strategy Implementation

Strategy implementation has primarily an administrative focus. So, successful strategy implementation depends on the skills of working through others, organising, motivating, culture building and creating stronger fits between strategy and how the organization operates. Ingrained behaviour does not change just because a new strategy has been announced. Implementing strategy poses a tougher management challenge than developing a sound strategy plans as we shall see in this unit.

The task of generating organization-wide commitment to strategy implementation and execution has four major components, which are as follows.

a. Motivate and organize units and individuals to execute the strategic plan and achieve the goals.
b. Building of a strategy-supportive corporate culture
c. Create a strong result orientation and a spirit of high performance.
d. Link the reward structure to actual strategic performance.
We shall discuss these major components one after the other to see how they affect strategy implementation.

1.4 Motivation of People to Achieve Set Goals

For organizations goals to be achieved there is the need for commitment to implementing and executing the formulated strategies by the units and individuals in the organization. Commitment on the part of the individuals can be obtained through motivation, incentives and the rewarding of any good performance. There are a range of options for getting people and units to push hard for successful strategy implementation using the standard reward and punishment mechanisms such as salary increases, bonuses, stock options, fringe benefits, promotions, praise, recognition, job control, decision making autonomy, promise of attractive locational assignment and bonds of group acceptance. The aim of motivation is to inspire the employees to do their best for the organizations and a commitment to make the strategy work.

Examples of strategy–supportive motivational approach are:

a. Every employee to get a weekly 10% bonus by coming to work on time each day of the week.
b. Employees meet regularly to hear inspirational speeches, using company song, and chant the corporate litany. There could also be inspirational get-together for organizational members. The speeches may be personal and emotional.
c. Assemblies can be organized on a particular day of the week to listen to a management talk about the state of the company. San Diego companies engage in brisk calisthenics on a particular day of the week and believe that by doing one thing together each day, it reinforces the unity of the company.

Units and divisions may be given freedom to set their side of the case which must be critically weighted. For instance, when a strategy implementations use of rewards and punishment induces too much tension, anxiety and job insecurity, the result can be counter productive. However, it is not useful to completely eliminate tension and pressure for performance from the strategy implementation process. A high performing organization will need a cadre of ambitious people who cherish the opportunity of climbing to the top of the ladder of success, who thrives in performance-oriented environment and who find some degree of competition and pressure useful to satisfy their own drives for personal recognition, career advancement, self satisfaction and accomplishment.

The generally accepted view is that a manager's push for strategy implementation should involve more of positive than negative motivational elements. The more a manager understands what motivates subordinates and the more that motivational incentives are relied on to implement and execute strategy, the greater will be the employees" commitment to carrying out the strategic plan.

1.5 Building a Strategy-Supportive Culture

Every well-established organization has a unique culture. This means that it has a special history of management; set ways of solving problems, conducting day-to-day organizational affairs, its managerial styles; it has its own patterns of "this is the way we do thing here". It has its own legends and heroes, its own stories and experiences of how changes have been instituted.

An organizations culture is therefore, very important in strategy implementation it is as fundamental as implementing and executing the chosen strategic plan which may involve moving the whole organizational culture into alignment with strategy. Optimally, the organizations culture should be in tune with strategy so that the execution of the strategic plan can be truly powerful and successful.

The corporate culture may be the philosophy, attitude, belief and shared values upon and around which the organization operates. It may be difficult to pin it down in any company's activities or accurately characterise it. They manifest in people's attitude and feelings. The stories they tell the vibrations and gist that emanate from the work environment. People are usually proud to share and identify with the success stories and traditions and values of the organizations. The culture of a company can be shaped by these:

- A belief in being the best
- A belief in superior quality of product or service
- A belief in the importance of individuals and a faith in their ability to make strong positive contribution to the company.
- A belief in the importance of details of execution and the nitty-gritty of doing the job well.
- A belief in the saying that customers should reign supreme
- A belief in the importance of informality during communication
- A recognition that growth and profit are importance to the company's well.

In companies where these are strong culture, every employee must abide by it or opt out and leave the company. Such companies are clear on what they stand for, they take seriously the process of shaping values and reinforcing their cultural norms.

1.5 Fitting of Strategy and Culture

Usually, the strategy manager has the responsibility of ensuring that the strategy chosen can be executed within the given constraints imposed by the organization culture. So, it is the manager's leadership task to bring the chosen strategy into alignment with the corporate culture.
In creating a "fit" between strategy and culture, the management has to consider the problem of needed changes and how long will it take to effect the changes once started, to complete it and then bear the required fruits.
Normally, managerial actions taken to modify corporate culture should be symbolic and substantive. The manager has to consult widely and convince the organization that more than cosmetics is involved. There should be a competent team which is psychologically committed to superior strategy execution.

1.6 Creating a High Spirit of Performance

One of the most valuable strategy-implementing skill is the ability to instil high level of commitment to strategic success and to create an atmosphere where there is constructive pressure to perform. When an organization consistently performs well (near its peak), the outcome is improved strategic success. It becomes organization with a climate of excellence where emphasis is on achievement. So, a spirit of high performance pervades. Such an organization should strive hard to develop on a consistent ability to produce results over prolonged periods of time. It must utilize the full range of rewards and punishment to establish and enforce high standard of performance.

Normally, a number of performance measures are put in place at every level. These may include profitability at the corporate level as well as market share growth rates, sales, competitive positions and prospects. In manufacturing, it may focus on unit manufacturing costs, quality control, the number of work stoppages and equipment breakdown.

However, the success story of creating a spirit of high performance has been on “intense focus on people”. The goal is to get everything in the organization involved and emotionally committed. It should involve a tough-minded respect for individual employee, a willingness to train each of them, setting a clear performance expectation, granting of enough autonomy to each employee to stand out, excel and contribute.

An important aspect of the organizations culture is making champions out of the people who turn in winning performances.
The spirit of high-performance results from a combination of factors, not just a belief or philosophy or programme of the company. It encompasses factors such as words, network of practices symbols, styles, values and policies pulled together to form a system that produced an ability to achieve extraordinary results with ordinary people. The drivers of the system believe in the worth of the individual and pay attention to minute details with an effort to do teeny-tiny things right.

There is a negative aspect of the high spirit performance. Managers whose units consistently perform poor should be removed or re-assigned for their own good. People who find themselves on the job they cannot handle are unhappy. Besides, subordinates have the right to be managed with competence, dedication and achievement. Unless their boss performs well, they themselves cannot perform well.

1.7 Linking Rewards to Performance

If strategy accomplishment is a top priority in an organization, then reward structure must be linked explicitly and tightly to actual strategic performance decision on matters such as salary increases, promotion, and who gets which key assignment. The ways and means of awarding praise and recognition are the strategy implementers‟ foremost attention getting, commitment generating devices.

The way an individual is perceived to be doing a good job and such matters hardly escape the notices of scrutiny of every member of an organization.
Creating a tight between strategy and reward structure is best accomplished by a natural agreement on strategic objectives, responsibility fixing and deadlines for achieving them, and then treating such achievement as contract. Then the contract for strategic performance should be the real basis for designing incentives, evaluating individual efforts and handing out rewards. All managers must understand clearly how rewards are calculated.

1.8 Internal Administrative Support for Strategy Implementation

Another central task of strategy implementation concerns installing internal administrative support system which can fit into the needs of the strategy. A few of the re-occurring administrative issues are: (a) the kind of strategy facilitating policies and procedures to establish (b) getting the right strategy critical information at the appropriate time, (c) the "controls" that are needed to keep company on its strategic course.

1.9 The Role of Strategy-Related Policies and Procedures

Strategic change means changes in the way internal activities are conducted and administered. Asking people to alter their actions and practices always upset the internal order of things. There will be pockets of resistance. The new and revised policies should facilitate for any part of the organization to resist or reject the chosen strategy. Policies help to enforce strategy implementation in a number of ways including:

a. They act as a lever for institutionalising strategy– supportive practices and operating procedures.
b. They place limit on independent action and set boundaries on the kinds and direction of action that can be taken.
c. They act to align actions and behaviours with strategy throughout the organization.

d. They help to shape the character of the internal work climate and to translate the company's philosophy to how things are done.
e. They operationalise the corporate philosophy, thereby playing a key role in establishing a fit between corporate culture and strategy.

Managers need to be inventive in strategy implementation when establishing supportive polices. For example, IBM's policy of trying to offer the best service of any company in the world is its competitive strategy and corporate philosophy.

However, too much policy can be as stifling as a wrong policy or as chaotic as no policy at all. Sometimes, the best policy for implementing strategy is a willingness to let the subordinates "do it any time they want if it makes sense and works".

In order to stay on top of how well strategy implementation is going, a manager must develop a broad network of controls and sources of information both formal and informal. The regular channels could in talking with key subordinates, reading written reports, getting feedbacks from customers, watching competitive rival firms" reactions, tapping into the flow of gossip through the grapevine, listening to the minds of the rank-and-file employees and first-hand observations.

There is a need for strategy managers to guard against major suppressors by making sure that they have accurate information and a "feel" of the existing situation. One major way of doing this is by regular visit "to the field" and talking with different people at many different levels.

1.10 Exerting Strategic Leadership

There is a litany of good strategic management which is very simple, that is to say "formulate a sound strategic plan, implement it, execute to the fullest". Obviously, this is easier said than done.

Exerting, "taking charge" leadership, being a "spark plug", "ram rodding" being one of the "movers and shakers" in the organization and getting things done by coaching others to do it are not easy skills. Moreso, a strategy manager has different leadership roles to play such as chief entrepreneur, chief administrator, crises solver, taskmaster, figure head, spokesperson, resources allocator, negotiator, motivator, adviser, policy maker, consensus builder and role model. Sometimes, a leader should be authoritarian and hardnosed and at other times be a perceptive listener and a compromising decision maker. In some occasions, the leader plays a highly visible role with extensive time commitment. At other times, there should just be a brief ceremonial performance with most details delegated to subordinates.

Generally, the major challenges to the strategic leadership are that of diagnosing situations, at hand and choosing any of the several ways to handle it.

Self-Assessment Exercises

1. Carefully examine the role of leadership in strategy implementation.

1.11 Summary

The essential parts of strategy implementation in this unit are related to the company's culture, leadership and rewards. These aspects are in connection with personnel motivation, building of a strategy–supportive culture, a spirit of high performance and adequate rewards for excellent work done.

1.12 References/Further Readings/Web Resources

Fahey, L. & Narayanan, V. K. (1986). *Micro-environmental Analysis for Strategic Management*, West Publishing.

Porter, M. E (1980). *Competitive Strategy*: Techniques for Analysing and Competitors, Industries Free Press.

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1.13 Possible Answers to Self-Assessment Exercise(s)

Answer to SAEs

1. The role of leadership in strategy implementation is crucial and can greatly impact the success or failure of an organization's strategic initiatives. Here are seven key aspects to consider when examining this role:

i. Effective leaders provide a clear vision and direction for the organization's strategy implementation. They articulate the strategic goals, align them with the overall purpose, and communicate them to the entire team. This ensures everyone understands the desired outcomes and works towards a common objective.

ii. Leaders play a critical role in aligning the strategy with the organization's culture, capabilities, and resources. They assess the organization's strengths and weaknesses, identify gaps, and make necessary adjustments to ensure the strategy is feasible and can be effectively executed.

iii. Leadership involves making important decisions during strategy implementation. Leaders must analyse various options, evaluate risks, and choose the most suitable course of action. Their decisions should be well-informed, based on accurate data, and aligned with the strategic objectives.

iv. Leaders are responsible for allocating resources effectively to support the strategy implementation. They ensure that the necessary financial, human, and technological resources are available and appropriately allocated to the relevant projects and initiatives. This involves prioritizing activities, managing budgets, and optimizing resource utilization.

v. Leaders inspire and motivate their teams to actively participate in strategy implementation. They create an environment that fosters collaboration, trust, and innovation. Effective leaders empower their team members by delegating responsibilities, providing them with the necessary authority, and encouraging their professional development.

vi. Leaders establish mechanisms to monitor the progress of strategy implementation and provide feedback to the team. They set key performance indicators (KPIs), track milestones, and regularly assess the outcomes. Through constructive feedback and coaching, leaders can guide their teams towards continuous improvement and course correction, if necessary.

vii. Strategy implementation often involves organizational change. Leaders play a critical role in managing this change by addressing resistance, overcoming obstacles, and ensuring a smooth transition. They communicate the need for change, provide support to individuals and teams, and help them adapt to new ways of working.

UNIT 5 IMPLEMENTING STRATEGY: ORGANIZATIONS RESPONSE, INNOVATION AND POLITICS

Unit Structure

1.1 Introduction

The strategic manager has as its responsibility the formulation and implementation of strategies. However, the success of the strategy depends, to a large extent, on the working environment. A flexible, responsive and innovative internal environment is crucial to the job of the strategy manager. This goes along with quality of the leadership in the organization. The leadership of the organization should take cognisance of the internal company politics. The manager should be able to identify key individuals and coalition of groups in the company so as to be also to diffuse tensions before the leadership is challenged.

1.2 Learning Outcomes (LOs)

By the end of this unit, you will be able to:

- identify the importance of company flexibility, responsiveness, and innovation in adapting to changing market conditions and gaining a competitive edge. They will understand how these factors contribute to the long-term success and sustainability of a business.
- discuss the key roles of high leadership quality, such as setting a vision, inspiring and motivating teams, making strategic decisions, fostering a positive work culture, and driving organizational performance.
- explain how well-designed reward systems can incentivize and motivate employees, leading to increased productivity, employee satisfaction, and organizational success. Students will also recognize the importance of aligning rewards with organizational goals and values.

- develop an understanding of organizational politics and the potential dangers associated with it if not managed effectively.
- explore innovations in strategy implementation, gaining insights into novel approaches, tools, and techniques used to execute strategic initiatives effectively.

1.3 Response and Innovation in Strategy Implementation

Formulation and implementation of strategy are very much the responsibilities of the strategy manager. The task of generating fresh ideas, identifying new opportunities can, certainly, not be accomplished by a single individual. One of the most difficult tasks of the strategic leadership is generating dependable and workable fresh ideas from the rank and file, managers and employees alike, and to also promote an entrepreneurial, opportunistic spirit that permits consistent adaptation to changing conditions.

Certainly, a flexible, responsive and innovative internal environment is tactical in fast-moving high technology industries, in businesses where products have short life cycles and growth depends on new product innovation, in managing widely diversified business portfolios, in industries where successful product differentiation is a key success factor, and in business where the strategy for being low-cost producer hinges on productivity improvement and continuous cost reduction.

A useful leadership technique is to make extra efforts and pay special attention to nourish and support people who are willing to champion new ideas, innovations, better services, new products and who are eager for a chance to try to turn their ideas into new divisions, new businesses and even new industries. The presence of a zealous, volunteer champion is essential to any growing business. This is closely followed by market potential and project economy in that order. Usually, the rule is that the idea of something new or something better either finds a champion or it dies.

The champion however, is usually persistent, competitive, tenacious, committed and even more than a bit fanatic about the idea and seeing it through to success, for an organization to maintain a history of successes, an individual or group has to be encouraged to put forward ideas. Peoples imaginations need to be encouraged to “fly in all directions”. Freedom to experiment and informal brainstorming sessions need to be a welcome behaviour.

It is pertinent to note that people with creative ideas and innovations must not be looked upon as disruptive, trouble some or mischief makers. A good manager should be able to promote trials and be willing to tolerate

mistakes and failures. Most ideas may not work well, but a good try result in learning even if the idea fails. A strategic manager should demonstrate willingness to use all forms of ad-hoc organizational forms such as task forces and venture teams to support ideas.
It is also essential that the strategic manager ensures that rewards for a successful champion are large and visible. Also, people who champion an unsuccessful idea should be encouraged to try again rather than being punished or sidelined.

1.4 Company Politics

In formulating and implementing strategies for any organization, politics of the company must be considered. In fact, it would naïve of any strategy manager to presume that he can effectively formulate and implement strategies without being perceptive about the organizations politics and being adept at the political manoeuvrings in the organization.

Normally, in an organization, key individuals and groups form coalitions around the direction the organization should go on a particular issue or issues. Each group may be pressing for the benefits and potentials of its own ideas and vested interests. So, issues such as the political objectives that will take precedence and the lines of business portfolio that will be given priority in resources allocation are usually political. However, internal politics should be seen as a factor in building a consensus for the alternative business strategy to employ and also in settling the role and contribution of each functional area in supporting the business strategy.

In strategy implementation, politics plays a vital role. Internal political considerations come in when critical decisions are made and certainly affects the organizational structure, for instance, political considerations set in when decisions are taken on issues such as the areas of responsibility to be reorganized, who heads what unit, who reports to who and who is in control of what resources. Politics are also involved when considering the choice of individuals to fill key positions in the organization, and which unit of the organization should be allocated the biggest sources. In many instances, politics considerations lead to the formation of alliances in the organization.

Alliances are integral part of building an organization-wide support for strategic plan and in gaining consensus on the various mechanics and dynamics of strategy implementation. Essentially, the manager should have astute political skills which are an asset that can help in orchestrating the strategic process.

An essential ingredient of the company politics is for the strategic manager to be able to understand how the organizations power structure

works. The manager should be able to identify those who wield enormous power and influence within the organization and the executive ranks. He should know the groups that are "activists" or "unionists" and the ones that are defenders of the "status quo" and who can help when there is confrontation or a "show down" on key decisions affecting the organization. He should constantly monitor the direction in which the political winds are blowing on any particular issue. When major decisions are to be made, strategy managers have to be sensitive to the politics of managing coalitions and reaching some consensus on the appropriate way to go.
Sir Alastair Pilkington, chairman of Pilkington Brothers Limited captures this situation very well when he asserted that:

I have never taken a major decision without consulting my colleagues. It would be unimaginable. First, they help me make a better decision in most cases; secondly, if they know about it and agree with it, they will back it, otherwise, they challenge it not openly, but subconsciously.

The strategic politics mainly concerns stimulation of options, nurturing of support for good proposals and killing of the weak ones, then guiding the formation of coalitions on particular issues and trying to achieve consensus and commitment.

Thompson Strickland (1997) studied the political tactics that were adopted in nine organizations and came up with the following:

- Weakly-supported ideas and proposal are allowed to die through inaction.
- Additional hurdles or tests are established for strongly supported ideas which the manager considers unacceptable but which are best not supported openly.
- Keeping a low political profile on unacceptable proposals by getting subordinate managers to say no.
- Allowing most negative decisions come from a group consensus that the manager merely confirms thereby reserving ones own personal vetoes for big issues and crucial moments.
- Leading the strategy but not dictating it, i.e., giving few orders, announcing few decisions, seeking to probe and clarify until a consensus emerges.
- Staying alert to the impact of one's actions and statements, lest a false signal stimulates proposals and movements in unsalted directions.
- Ensuring that all major power bases in the organization have representation in or access to top management.

- Injecting new faces and new views into consideration of major changes, to preclude those who are primarily involved from coming to see the world the same way and then acting as systematic screens against other views.

a. Minimising one's own political exposure on issues which are highly controversial and in circumstances where opposition from major centre can trigger a "shootout".
The politics of strategy implementation is very crucial when an attempt is made to introduce a new strategy against the support enjoyed by the old strategy except in crisis situation when it is shown that the old strategy is out-of-date.

It is a bad politics to push the new strategy via attacks on the old strategy which can be misconstrued as an attack on those who formulated it. Besides, the old strategy might have suited the organization as at that time and some of the people who made the judgment can still be in a position where the support for the new strategy is required and crucial.
To bring the full forces of an organization behind a strategic plan calls for dealing with the most important centres of potential support and opposition to the new strategic thrusts. The supports of the key people are required while serious oppositions are neutralized where and when necessary.

Self-Assessment Exercises

1. Briefly discuss the interactive effect of innovative and responsive leadership in strategy implementation.

1.5 Summary

The action list for implementing strategy is expansive. Virtually every aspect of administrative work comes into play. The key aspects are as follows:

1. Building a capable organization by choosing an appropriate structure, establishing a destructive competence and selecting people for key positions.
2. Formulating strategy-supportive budget allocation and programmes.
3. Galvanizing commitment to strategy execution via creative use of reward systems and recognition of high performers.

4. Devising policies, information and reporting networks and internal support systems to facilitate strategy execution.
5. Building a strategy-supportive culture and work climate.
6. Aligning and co-ordinating internal organizations processes to fit the requirements of strategy.

1.6 References/Further Readings/Web Resources

Strategic Management – Wikipedia the Free Encyclopedia

Thompson. A. A. & Strickland, A. (1978). *Strategic Management*, Concept and Cases, McGraw-Hill.

1.7 Possible Answers to Self-Assessment Exercise(s)

Answer to SAEs

1. Innovative leadership fosters a culture of creativity, encouraging employees to think outside the box and generate novel ideas for strategy execution.

Responsive leadership ensures that leaders are attentive to changing market dynamics and customer needs, allowing for timely adjustments to the strategy.
The combination of innovation and responsiveness enables leaders to identify new opportunities and adapt the strategy accordingly, leading to a competitive advantage.
Innovative leaders inspire and empower employees, creating a sense of ownership and commitment to the strategy implementation process.
Responsive leaders actively listen to employee feedback, incorporating their ideas and suggestions into the strategy execution, which increases engagement and productivity.
The interactive effect of innovation and responsiveness encourages experimentation and learning from failures, promoting a culture of continuous improvement.
Innovative leadership drives the adoption of new technologies and processes that can enhance efficiency and effectiveness in strategy implementation.
Responsive leadership ensures that the strategy aligns with the external environment, minimizing risks and capitalizing on emerging trends.
The synergy between innovation and responsiveness enables leaders to navigate complex and uncertain situations, fostering agility and adaptability.
Ultimately, the interactive effect of innovative and responsive leadership enhances the organization's ability to execute strategies successfully, achieve goals, and drive long-term growth.

UNIT 6 INFORMATION TECHNOLOGY MANAGEMENT STRATEGIES

Unit Structure

1.1 Introduction

This unit deals with the strategic information system. In recent times, the principles of strategic management are being applied to manage information system delivery. A little aspect of this application system is enumerated in this unit. Details of the strategic management information system (SMIS) are not given in this unit as the process is still being fine-tuned by various researchers.

i. explain factors such as system reliability, data accuracy, information accessibility, user satisfaction, and alignment with internal processes and workflows.

1.2 Learning Outcomes (LOs)

By the end of this unit, you will be able to:

- identify opportunities for leveraging technology to achieve strategic goals and create a roadmap for implementing information systems initiatives.
- analyse the organization's current IT capabilities, identifying gaps, and formulating strategies to bridge those gaps to support the organization's strategic objectives.
- utilize various methodologies, frameworks, and tools provided in the information system strategic planning "tool kit."

- streamline the planning process, analyse the organization's current IT environment, and identify strategic initiatives to improve the effectiveness and efficiency of information systems.
- identify and evaluate potential business opportunities offered by information systems.
- evaluate the strategic importance of the current information system.
- analyse IT capabilities, technological innovation, digital transformation initiatives, and the strategic utilization of information systems to gain a competitive advantage in the market.
- assess the internal position of the organization's information systems.

1.3 Management Information System

There are many definitions of management information system (MIS) just as there are many definitions of strategic management. However, one of the most recent definitions was given by Wolsten Holme et al. (1993) who defined MIS as including everything which deals with the computer assisted flow and presentation of information.

1.4 Strategic Management Information System (SMIS)

This term represents only a subset of the total management information system (MIS) portfolio. It is the set that is considered critical to the future or current business competitiveness and the survival of the particular organization. The term is relative rather than absolute.

1.5 Strategic Planning for Information Systems

In spite of the history of neglected planning, information system (IS) needs effective strategic planning, and perhaps more than other than functional areas. Planning and implementing an appropriate IS strategy produces that organizational confidence that will cost-effectively deliver these strategic systems.

The surveys of the 1980s consistently a place improved IS strategic planning first on any list of concerns for both user and IS management. Strategic planning results in a strategic plan and like any other plan or strategy, once identified and documented, needs receiving as part of an ongoing planning process. Until an update is made, it is the focal point or all implementation decisions.

The purpose of strategy planning for information system (IS) is to identify the most appropriate targets for technological support and to schedule that technology for adoption. To a large extent, the strategy planning process must establish appropriate levels of shared commitments since such plan is intended to shape decision on future IS. The process is not just to decide on issues visible now; such a focus would more conventionally be called an operating plan.

1.6 Information System Strategic Planning "Tool Kit"

Usually, the discussion on a range of tools that might contribute to an IS planning "tool kit" are often lengthy. However, attempts will be made to list the important aspects as these are very much related to the tools discussed on the general business management strategies in units 1 to 15 of this course. These "tool kit" have been put into a checklist to shorten the unit and facilitate quicker understanding.

Strengths Weaknesses, Opportunities and Threats (SWOT) analysis forms a conventional and an essential tool in any strategic planning approach. SWOT has as its strength, the fact that it is very familiar and its purpose and categories are well known. It is also considered both as external and internal factors and when properly used can balance the two. SWOT analysis in IS includes the following:

a. Approach to Information System (IS)
b. Use of IS
c. Delivery of IS
d. Data management
e. Technical skills.

Therefore, the SWOT analysis is a reminder of the need for balance and attempts to judge the options available. Therefore, having become aware of the potential effect of Information System, we can use SWOT to weight up the risks involved.

Table 6: Possible Responses on Basis of SWOT Analysis

Situation Information System Faces		Strengths	Weaknesses
	Opportunity	Attack "go for it"	Beware "don't do it"
	Threat	Explore "if have time"	Project "watch yourself"

Evaluation of Information System Capability

1.7 Business Opportunities Offered by Information System

Books have been written on the opportunities that result from the impact of Information System on industries and business. These opportunities have been categorized as follows:

i. Where the opportunity is to use technology-based system to make more effective the integrative use of information in the organizations value adding process.

ii. Where the opportunity is for an organization to develop, produce, market and either deliver new or enhanced products or services based on information.

iii. Where the opportunity is to provide executive management with information to support the development and implementation of strategies (Robson, 1997).

Table 7: Four potential business impacts of Information System (Adopted from Benjamin et al, 1984)

Improve	**traditional ways**	Improve ways of interacting with the competitive market place.	Alter ways of competing

Improve ways of managing internal operations	Alter ways of operation

Alter traditions ways

1.8 Strategic Importance of Current Information System

Derived from BCG Matrix, is the Strategic Importance Matrix from Mc Farlan and Mckenny (1983). The IS –Specific Matrix offered by MC Farlan and Mckenny is shown in Table 6. It separates business by virtue of the different degree to which IS/IT developments will create competitive edge.

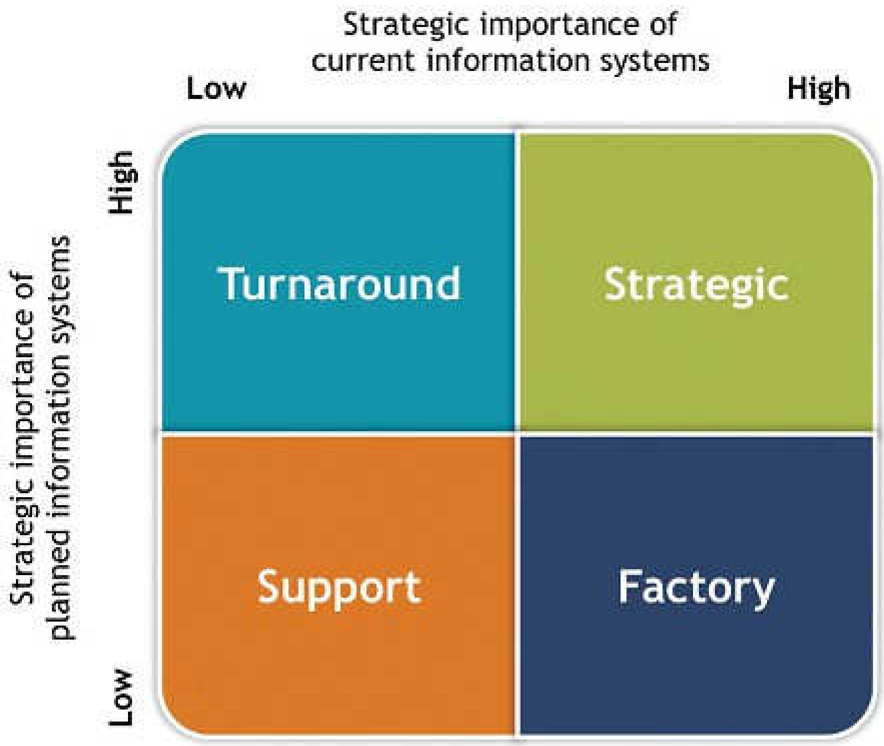

Fig. 11: Strategic importance of current IS

1.9 Competitive Position

A number of techniques exists which support the analysis and assessment of the organizations competitive position from an IS perspective. This set of tools is dominated by the work of Michael Porter on the nature, structure and responses to competition.

Gregory Partsons (1983) agrees that the strategic importance of IS could be assessed using the frameworks defined by Porter's work on the nature of competition. On this five forces model was adopted by Porter individual organization rather than at the industry level. This relative power of the five forces models was adopted by Porter and Miller (1985) which operates at the level of an individual organization rather than the industry level.

This model can be used to assess whether IS can influence the relative power of the five forces and to question what IS opportunities relate to those significant forces including opportunities that exist to alter the relative power of forces. A good IS strategy would enable the organization to erect a barrier against potential new entrants and change the balance of power in supplier relationships in favour of the firm.
The classis five-force model of industry competitive provides a multi-purpose model which can be used to assess any given industry which can be three major things.

a. The current situation
b. The opportunities
c. The threat.

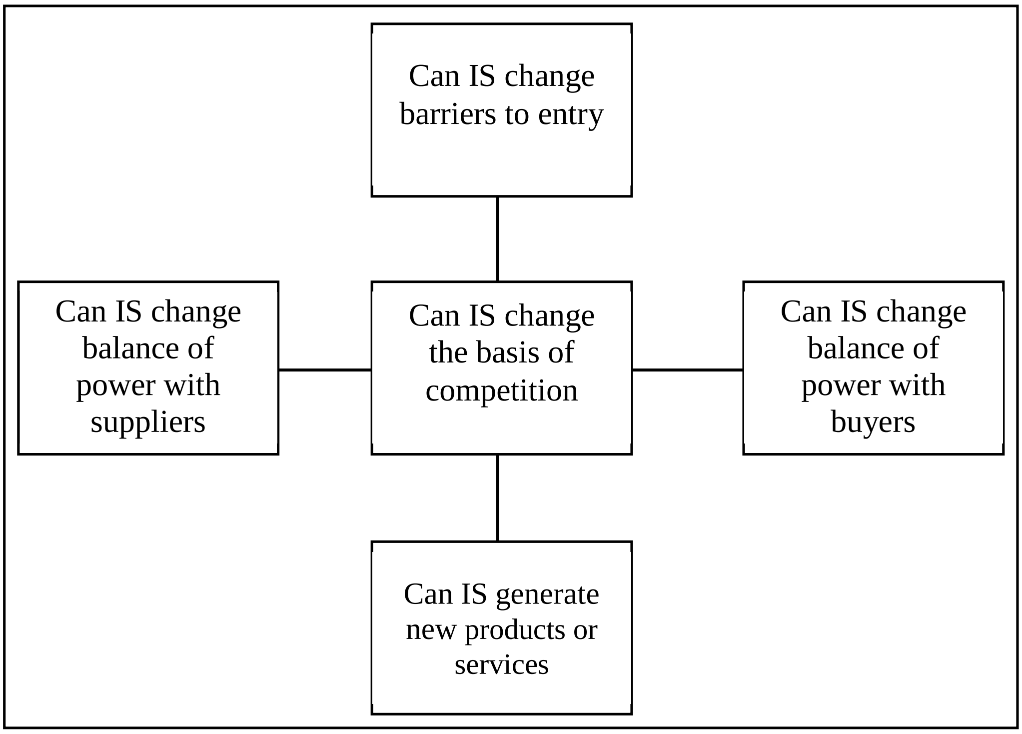

Fig. 12: Porter's five forces Model and IS adapted from Michael E Porter

Since these forces determine profitability, by defining the element that created the degree of return on investment, they provide a way of structuring general questions that can be asked about the role IS does/can play in the organization. Once the relative power of the five-force power is determined, it is possible to analyse the opportunities to use IS.

1.10 Internal Position

There are many IS strategy planning techniques that model or assess aspects of the internal operations of the organization, including its IS management process. One is of the IS strategy tools. Generic IS strategy, which includes general planning, leading edge, free market, monopoly, scare resource and necessary evil (Robson, 1997).

Self-Assessment Exercises

1. Clearly distinguish between IS, MIS and SMIS.
2. Of what importance is strategic management to information system (IS) and information technology (IT)?

1.11 Summary

Strategy management is quite relevant in today's MIS, IS, IT/ICT. An important aspect of strategic management in this respect is the strategic planning for information system. Various models have been proposed to buttress this fact. The Porter's five-force model is explained in this unit.

1.12 References/Further Readings/Web Resources

Robson, W. (1997). *Strategic Management and Information System*, 2nd Financial Times PITMAN Publ.

Rowe, A. J., Maston R. O. Dickel, K. E.; Main R.B.; & Mocker, R. J. (1994). *Strategic Management:* A Methodological Approach, Addison Wesley.

Weigtich, H. (1982). *The TOWA Matrix*. A Tool for Situational Analysis, Long Range Planning: Vol .15.

1.13 Possible Answers to Self-Assessment Exercise(s) within the content

1. IS, MIS, and SMIS are all related to information systems, but they have different focuses and applications within an organization. Here's a clear distinction between these terms:

- Information Systems (IS): Information Systems (IS) refer to the combination of people, processes, data, and technology used to manage and process information within an organization. IS encompass various types of systems that collect, store, process, and distribute information to support decision-making, operational activities, and strategic initiatives. It includes both the hardware and software components used for managing and processing data.
- Management Information Systems (MIS): Management Information Systems (MIS) specifically focus on providing information and support for managerial decision-making within an organization. MIS primarily collects, analyses, and presents data from various sources to assist managers in planning, organizing, and controlling operations. It involves generating reports, creating dashboards, and implementing tools and techniques to summarize and present data in a meaningful way. MIS helps managers monitor performance, identify trends, and make informed decisions to achieve organizational objectives.
- Strategic Management Information Systems (SMIS): Strategic Management Information Systems (SMIS) are a specialized form of MIS that specifically address the strategic needs of an organization. SMIS are designed to provide executives and top-level management with information and tools to support strategic planning, formulation, and execution. SMIS focus on analysing internal and external data to identify opportunities, assess competitive landscapes, evaluate industry trends, and guide long-term decision-making. These systems facilitate strategic thinking and enable organizations to gain a competitive advantage through the effective use of technology and information.

2. Strategic management plays a crucial role in the effective utilization and alignment of information systems (IS) and information technology (IT) within an organization. Here are some key reasons why strategic management is important to IS and IT:

- Strategic management ensures that IS and IT initiatives are aligned with the overall business objectives and goals of an organization. It helps in identifying how IS and IT can contribute to the organization's competitive advantage, operational efficiency, and innovation.

- Strategic management helps in determining the allocation of resources, including budget, personnel, and technology, to support IS and IT initiatives. It enables organizations to prioritize their investments in IS and IT projects based on their strategic significance and potential impact on business outcomes.
- Strategic management involves assessing and managing risks associated with IS and IT. It helps in identifying potential vulnerabilities, implementing appropriate security measures, and developing contingency plans to mitigate risks and ensure business continuity.
- Strategic management provides a framework for making informed decisions regarding IS and IT. It involves analysing the internal and external environment, evaluating technological trends, and considering the organization's capabilities and limitations. This facilitates strategic decision making related to technology adoption, system development, and IT investments.
- IS and IT can be significant sources of competitive advantage for organizations. Strategic management helps in identifying how technology can be leveraged to create unique products or services, enhance operational efficiency, improve customer experiences, and enable innovation. It enables organizations to stay ahead of their competitors by effectively utilizing IS and IT capabilities.
- IS and IT initiatives often involve organizational changes, such as process redesign, workflow automation, or implementation of new systems. Strategic management provides a framework for managing these changes effectively, including communication, training, and stakeholder engagement. It helps in minimizing resistance to change and ensuring smooth transitions.
- Strategic management involves setting performance metrics and goals for IS and IT initiatives. It enables organizations to measure the effectiveness and impact of their technology investments, identify areas for improvement, and make necessary adjustments to enhance performance.