

Strategic Business Management

# INTRODUCTION - STRATEGY AND STRATEGIC MANAGEMENT

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# Strategic Management (1/2)

- „strategos“ = Commander
- „strategy“ - Army
- „strategic management“:
  - after World War II
  - = long-term planning



# Strategic Management (2/2)

## The Present:

- core management function
- the plan for positioning the organisation in its chosen market arena, competing successfully, pleasing customers, and achieving good business performance

# Strategy (1/5)

- mastery of winning war  
(we are in the war with our competitors)
- direction we want to go



## Strategy (2/5)

- way to achieve the company's goals, resulting from the company's VISION and MISSION
- framework for decision-making at all mng. levels

# Strategy (3/5)

- defines activities leading to the achievement of objectives (strategic operations)
- defines the basic forms of competitive combat
- coordinates basic managerial tasks at all levels

# Strategy (4/5)

- a long-term framework that:
  - unites the company's main objectives, priorities and activities
  - adapts the company's resources to the changing environment
  - meets the expectations of the stakeholder groups (e.g. founders, shareholders)

# Strategy (5/5)

- single components:
  - **what** to produce?
  - in what quantity and quality?
  - when and **for whom**?
- creation of methods, tools and measures



# Absence of a strategy

- surprise over changes in the outer surroundings
- lack of relevant information in decision-making
- contradiction between reality and top-mng statements
- inefficient use of resources
- inconsistencies in the decisions of individual managers
- poor communication

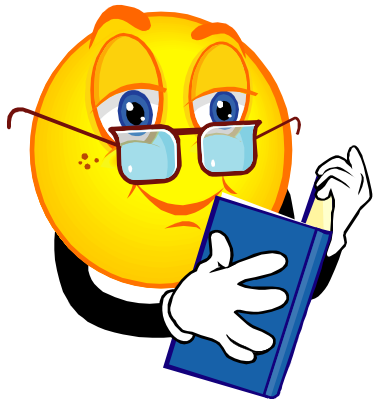
# Strategic management and chess game

- **strategic management** = move the figure on the chess board
- **external surroundings of the company** = enemy's move



**"Lame on the right way overtakes  
the healthy who roam."**

Francis Bacon



**"What a sense to double the effort when  
we forgot where we want to go."**

G.K. Chesterton



**"Only if workers have a clear goal  
we can expect success."**

J. Welch



# **SPECIFIC FEATURES OF STRATEGIC PROCESSES**

# Strategic Management is

- most exacting
- most important

task for TOP management

# Specific features of strategic processes

- **unknown space** (in which the top manager is caught during defining the strategy)
- long-term focus
- uncertain development of the external environment
- influence of the global environment



# Specific features of strategic processes

- influence of stakeholders on decision making
- other possible determinants:
  - introduction of quotas
  - export limits
  - formulation of conditions for qualification

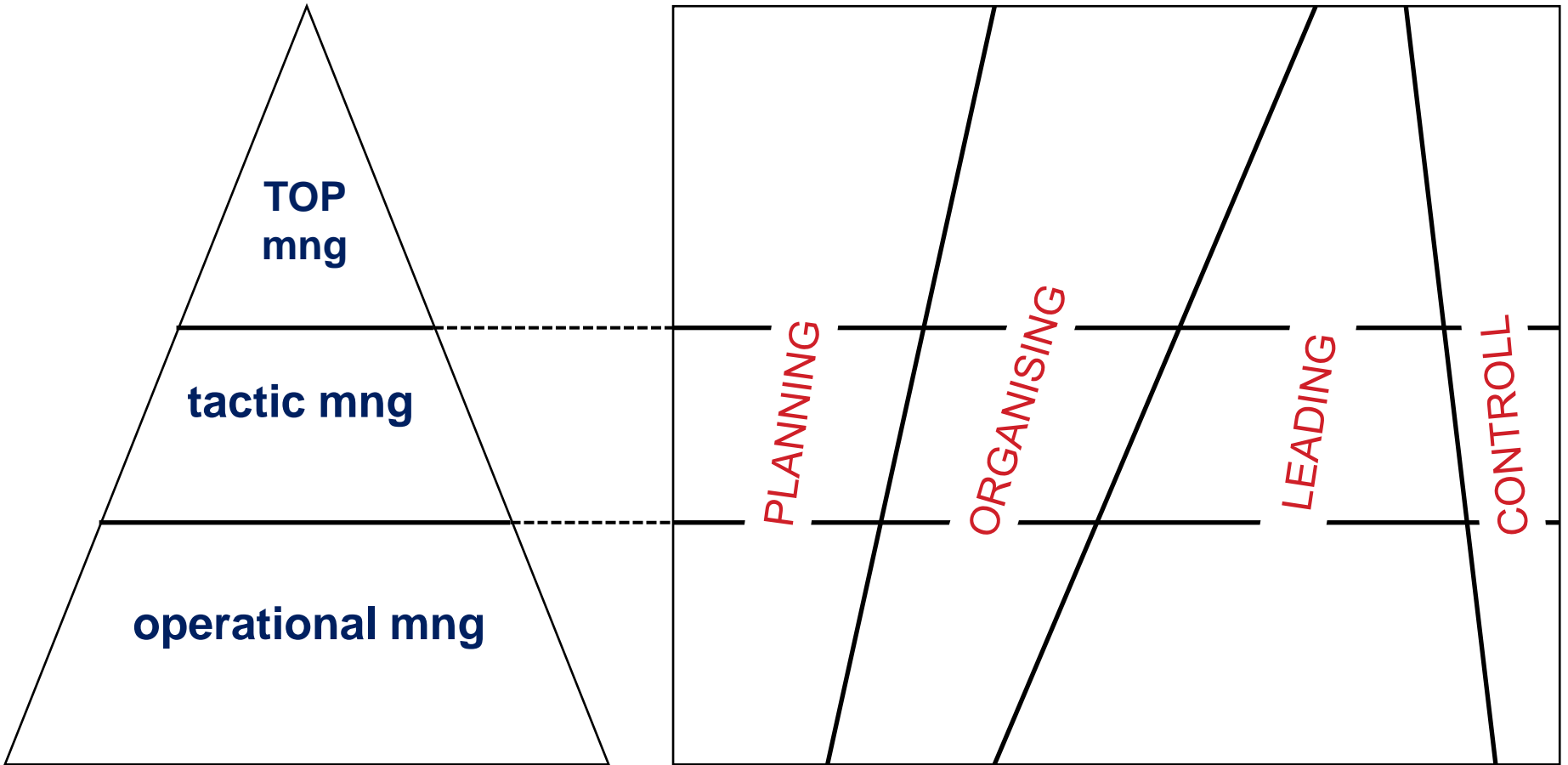
# Differences between

- strategic
- tactic
- operational

management

# Terminology

- **strategic / top / CEO** = corporate level of management
- **tactic** = business level of management
- **operational** = functional level of management



# Determination of goals:

STRATEGIC



TACTIC



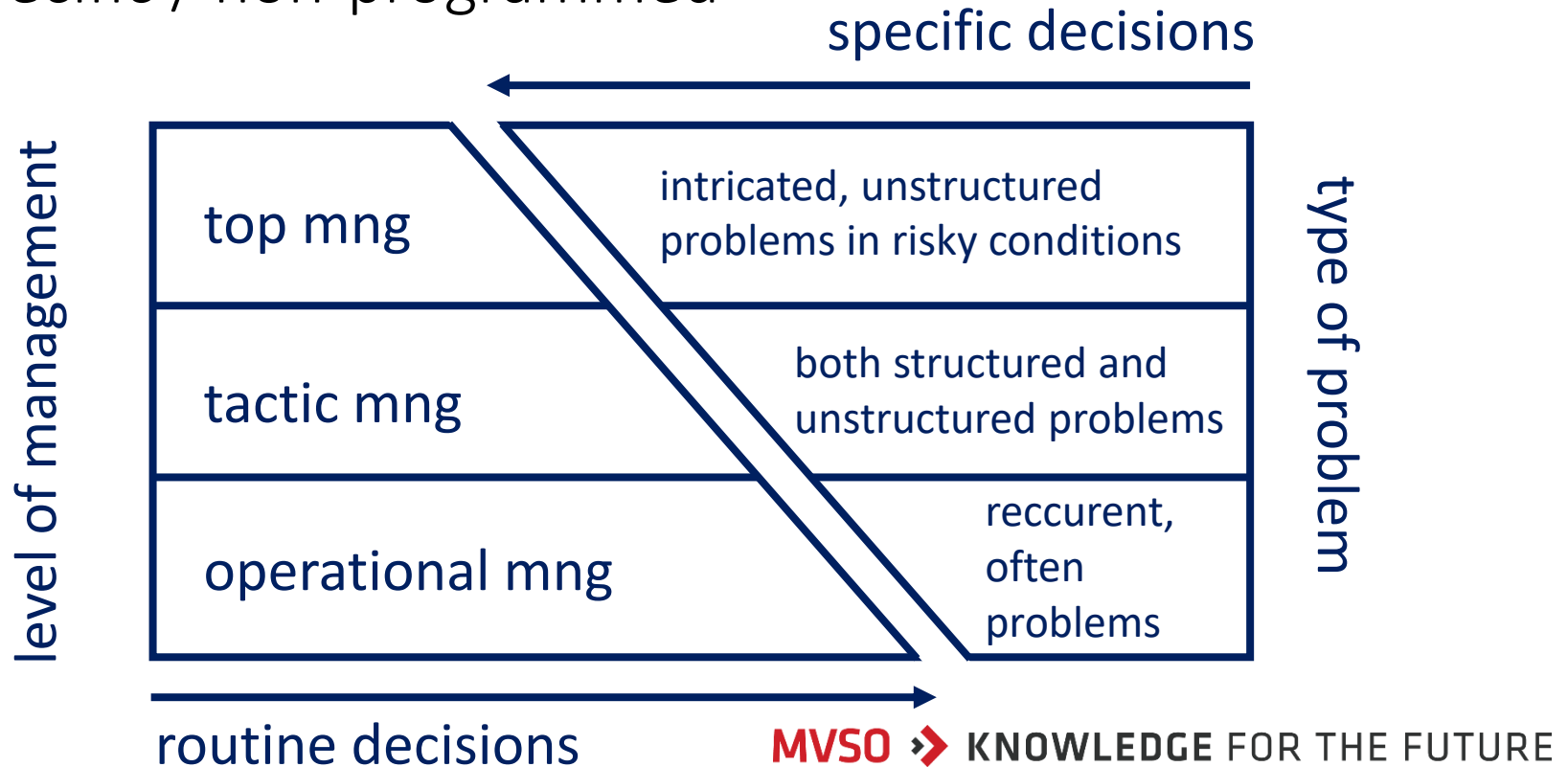
OPERATIONAL

# Decision-making:



# Types of managerial decisions:

- routine / programmed
- specific / non-programmed



# Other aspects to compare (1/2):

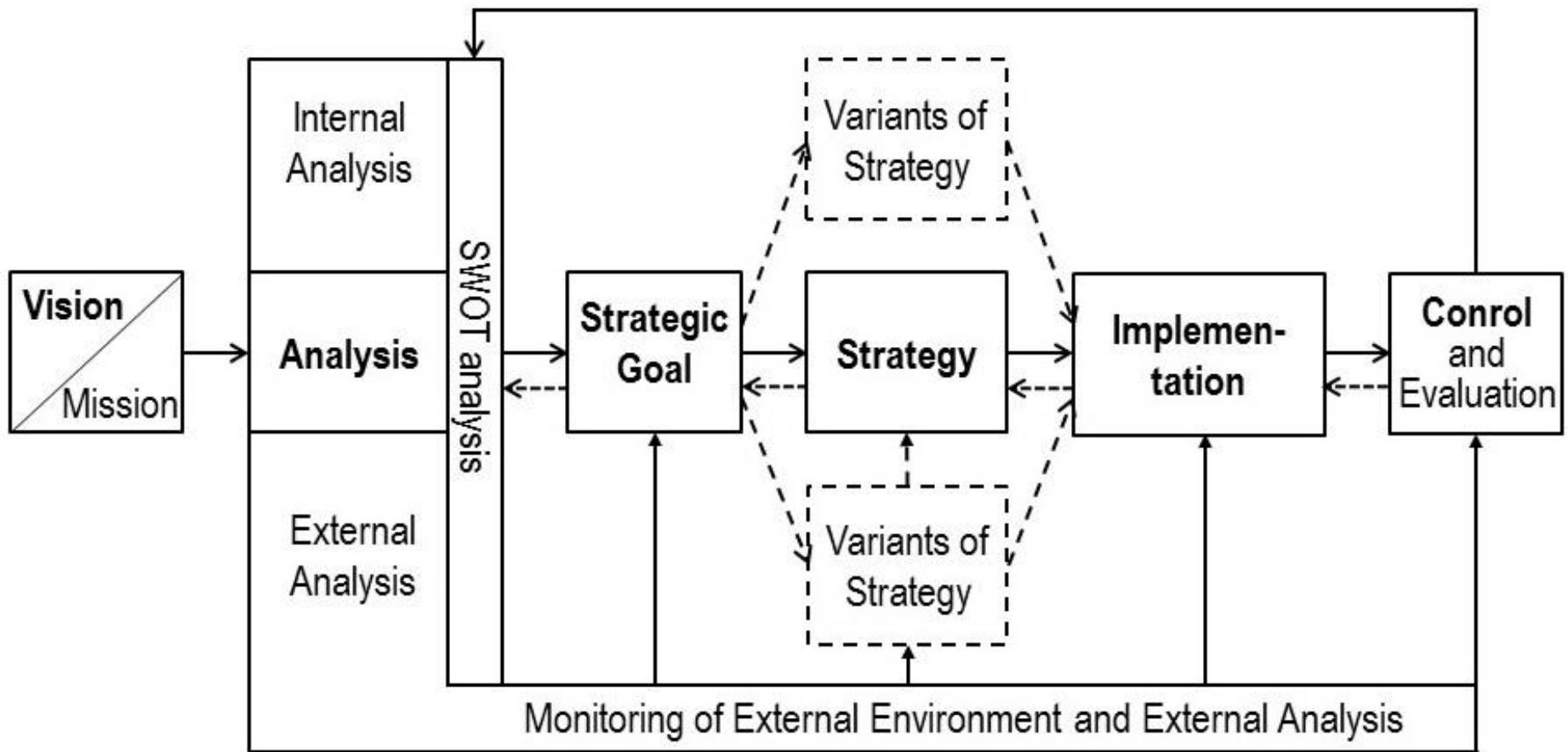
	Time horizon	Elaboration of information	Source of information	Certainty of information	Frequency of Occurrence
<b>top</b>	long (years)	indefine	external	vague	small
<b>tactic</b>	middle (month, year)	sorted	external and internal	less vague	middle
<b>operational</b>	short (days, hours)	detailed	internal	certain	frequent



# Other aspects to compare (2/2):

<b>Tactic and operational level</b>	<b>Strategic level</b>
goals are derived from the targets set at higher levels	new targets and strategies are set and evaluated
goals are influenced by the experience of past cases	new targets and strategies are set under specific conditions that were not previously
subtargets are assigned to individual functional units	overall targets are of full force and relevance for whole company
managers are closely associated with their profession	managers have general knowledge with an orientation on the company's surroundings
results are assessed immediately after their achievement	reaching the targets will take effect only after a certain time
clearly given conditions, the problems are well structured	unclear conditions, poorly structured problems
routine decisions, standard approaches to solving problems	required creativity in decision-making and problem solving, each issue requires an individual approach

# PROCESS OF STRATEGIC MANAGEMENT



# Vision Statement

- provides the framework or context within which strategies are formulated
- main components:
  - a statement of the reason for existence
  - a statement of some desired future state
  - a statement of the key values that the organization is committed to
  - a statement of major goals

# Vision Statement - example

*"Producing and selling **locally sourced** cakes and pies that are so **delicious and satisfying**, that **every customer** who leaves our store does so **with a smile**."*

# Mission Statement

- declares the purpose of an organization and how they serve their customers
- short summary of company's purpose

# Mission Statement - example

- *JetBlue: “To inspire humanity — both in the air and on the ground.”*
- *Tesla: “To accelerate the world's transition to sustainable energy.”*
- *TED: “Spread ideas.”*
- *LinkedIn: “To connect the world's professionals to make them more productive and successful.”*
- *Nokia: „Connecting people.“*

# External and Internal Analysis

- identifies strategic opportunities and threats in the organization's operating environment that will affect how it pursues its mission
- pinpoints the strengths and weaknesses of the organization



# Formulation of Strategic Goal

- goal describes the final, resulting state after a predetermined (strategic) period
- must be formulated in a very clear and concrete way, in order to determine whether the goal has been reached after the strategic period

# Formulation of Strategic Goal

- should be formulated by observance of the rule of **SMART**

# SMART goal

- Specific
- Measurable
- Achievable
- Reachable / realistic
- Time-bound / term



# Determination of Strategy

- the way how to achieve the strategic goal
- elaborated into the individual steps - **strategic operations**
- the most important and most complex task of top management
- !!! creativity !!!

# Determination of Strategy

- basic task of the strategy: to prepare the organisation for the future, for all situations that are likely to occur in the future
- future = unknown space

# Determination of Strategy

- must be developed in a number of **variants** that are based on the discovery of all developmental trends that are likely to occur
- variants must be mutually **compatible**

# Implementation of strategy

- taking actions at the functional, business and corporate level to execute a strategic plan
- designing the best organization structure, culture, and control systems

# Control and Evaluation

- subjects of the evaluation are the effectiveness of the chosen and implemented strategy and the achievement of the strategic goal designing the best organization structure, culture, and control systems