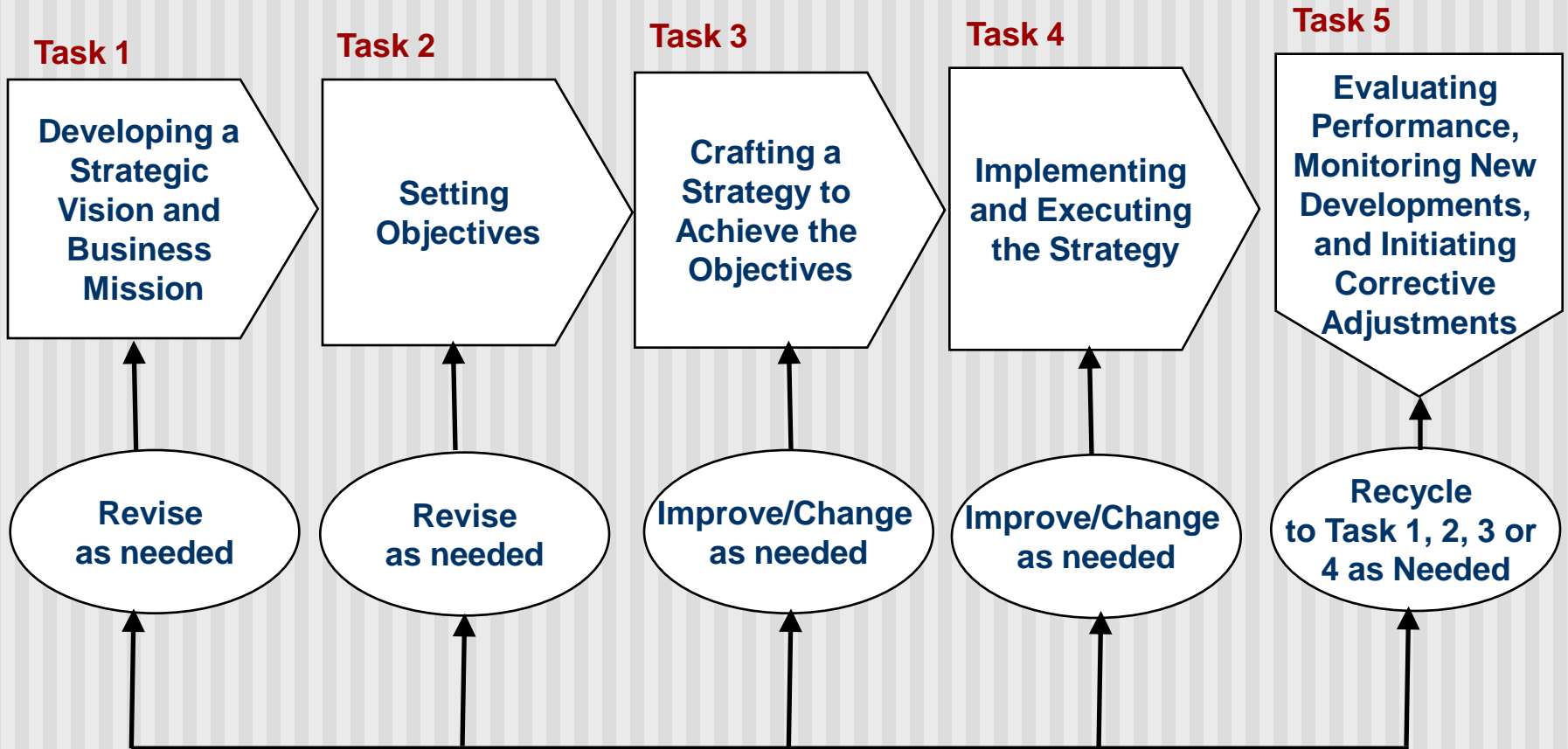


# Why to craft a strategy?

- There is a need for managers to proactively shape how the company's business will be conducted. Without a strategy, managers have no prescription for doing business, no road map to competitive advantage, no plan for pleasing the customer or achieving a good performance.
- There is also a need to unify the efforts and decisions of different departments, divisions, managers and groups into a coordinated, compatible whole. Without a strategy there will be no basis to unify their efforts to build a team that will make profit.

# The Five Tasks of Strategic Management



# Who performs the five Tasks of strategic management?

- The chief executive officer and other senior corporate-level executives who have primary responsibility and personal authority for big strategic decisions affecting the total enterprise and the collection of businesses into which the enterprise has diversified
- Managers of business units who are delegated a major leadership role in crafting and executing a strategy for that business unit
- Functional area managers (marketing, production, sales, finances) whose role is to support the business unit's overall strategy with strategic actions in their own areas
- Managers of major operating units (plants, local offices)

# Establishing objectives

- **Objectives** represent a managerial commitment to achieving specific performance targets within specific time frame. They are a call for results that connect directly to the company's strategic vision and core values
- **Strategic objectives** relate to outcomes that strengthen an organization's overall business and competitive position
- **Financial objectives** relate to the financial performance targets management has established for the organization to achieve
- Trade-off

# Financial vs. Strategic Objectives

<b>Financial Objectives</b>	<b>Strategic Objectives</b>
<ul style="list-style-type: none"><li>■ Growth in revenue</li><li>■ Growth in earnings</li><li>■ Higher dividends</li><li>■ Bigger profit margin</li><li>■ Higher returns on invested capital</li><li>■ A rising stock price</li><li>■ Etc.</li></ul>	<ul style="list-style-type: none"><li>■ A bigger market share</li><li>■ Higher product quality than rivals'</li><li>■ Lower costs relative to key competitors</li><li>■ Broader or more attractive product line than rivals'</li><li>■ Superior customer service compared to rivals'</li><li>■ Etc.</li></ul>

**Efforts to build competitive advantage:**

- Lower costs relative to rivals?
- A different or better product?
- Superior ability to serve a market niche or specific group of buyers?

Planned, proactive moves to outcompete rivals (better product design, added features, improved quality, wider product line and so on)

Moves to respond and react to changing conditions in the macroenvironment and in industry

Scope of geographic coverage (local, regional, national, multinational, global)

Collaborative partnerships and strategic alliances with others

