

Strategic Management



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Chapter 1

Chapters

1.1 Introduction to Strategic Management

A **strategy** is a long term direction of an organization. **Strategic decisions** are not only about the long-term direction of an organization and the scope of an organization's activities. They are also about gaining advantage over competitors, addressing change in the business environment and building on resources and capabilities as well as the values and expectations of stakeholders. In an organization not only top manager, but also middle and lower level managers are concerned with the strategy.

A strategy has **three horizons**:

1. Horizon 1: Extend and defend the core business
2. Horizon 2: Build emerging businesses
3. Horizon 3: Create viable options

Besides the horizons, a strategy has also different levels:

- **Corporate-Level Strategy**: overall purpose and scope of an organization
- **Business-Level Strategy**: way a business seeks to compete successfully in its particular market
- **Operational Level Strategy**: how different parts of the organisation deliver the strategy in terms of managing resources, processes and people

A strategy has three branches: **Context**, **Content** and **Prozess**.

The **context** concerns *internal* as well as *external* factors. The research deals with the industry analysis, the cultural analysis as well the resource-based view. The **strategic position** is a impact on the strategy of the *external* environment on the organization's strategic capabilities, goals and culture.

The **content** is about strategic options and the research deals with choices performance. A **strategic choice** involves the options for strategy in the directions in which strategy goes and its methods.



- Business (competition, differentiation)
- International (new markets, options)
- Corporate (scope or organization)
- Innovation (essential to survive!)
- Acquisitions and Alliances

The **process** includes the formation and implementation. It's research includes strategic planing, choice and change as well as strategy-as-practice. A **strategy in action** is about how strategies are formed and how they are implemented. They include: processes, evaluation, organizing, changing and practice.

1.2 The Environment

The environment of a business consists of different **layers**. The biggest one is the *macro-environment*. The next, smaller one is the *industry*. After the industry follow the *competitive markets* and after that the *organization* itself.

The **PESTEL framework** provides a comprehensive list of influences on the possible success or failure of particular strategies. It has six main influences:

- *political* factors
- *economic* factors
- *socio-cultural* factors
- *technological* factors
- *environmental* factors
- *legal* factors

When using the PESTEL framework, first one should apply the selectivity, which means to identify specific factors which impact on the industry. After that, one should identify which are not only currently important, but also consider which will become more important. Then one should use the data to support the points and analyse trends using up-to-date info. As a final step, opportunities and threats can be identified.

Scenarios are detailed and plausible views of how the environment of an organisation might develop in the future based on key drives of change. They are build on the PESTEL framework, do not offer a single forecast and develop a few alternative scenarios to analyse future strategic options.



- 1.3 Strategic Capabilities**
- 1.4 Strategic Purpose**
- 1.5 Culture and Strategy**
- 1.6 Corporate Strategy**
- 1.7 International Strategy**
- 1.8 Mergers**
- 1.9 Strategic Development Process**
- 1.10 Leadership**



Chapter 2

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