

# Strategic Management

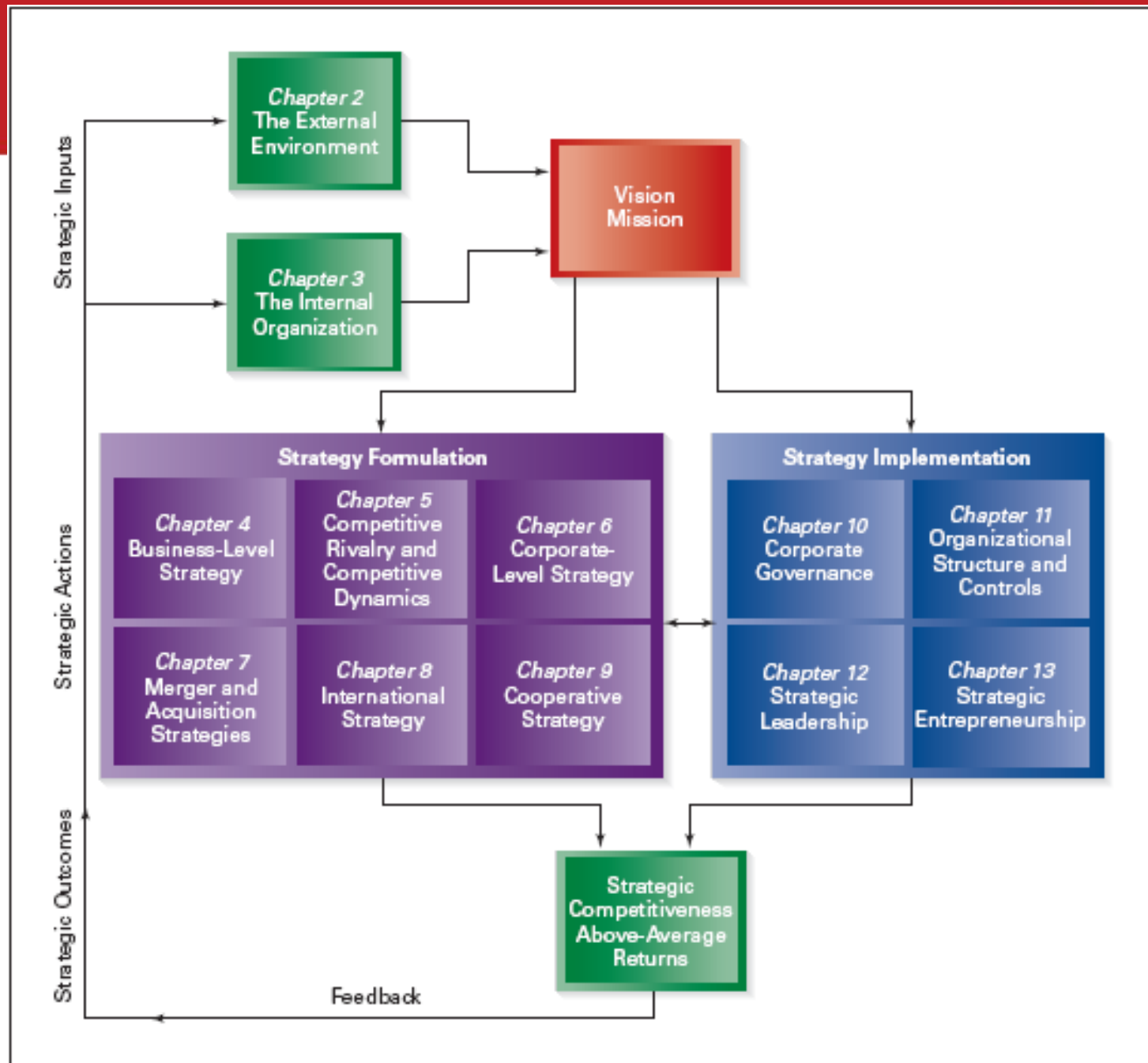
## Undergraduate course in Management

Telmo Francisco Vieira

2015/2016



# The Strategic Management Process





## Eight content areas

**Importance of understanding internal organization**

**Value: Definition and importance**

Tangible vs intangible resources

Capabilities: Definition and development

Core competencies: Criteria

Value Chain Analysis

Outsourcing: Definition and “why?”

Internal organization assessment and strategic decisions

# Analyzing the Internal Organization (IO)

**Three topics:** 1) Context of Internal Analysis; 2) Creating Value; and 3) The Challenge of Analyzing the IO

## 1) Context of Internal Analysis

- ‘Global mind-set’: Ability to study an internal environment in ways that do not depend on the assumptions of a single country, culture, or context
- Analyze firm’s portfolio of resources and bundle heterogeneous resources and capabilities: Understand how to leverage these bundles
- An organization's core competencies creates and sustains its competitive advantage

## Components of internal analysis leading to competitive advantage and strategic competitiveness





**Three topics:** 1) Context of Internal Analysis; 2) Creating Value; and 3) The Challenge of Analyzing the IO

## 2) Creating Value

- Develop core competencies that lead to competitive advantage
- Value: measured by a product's performance characteristics and by its attributes for which customers are willing to pay



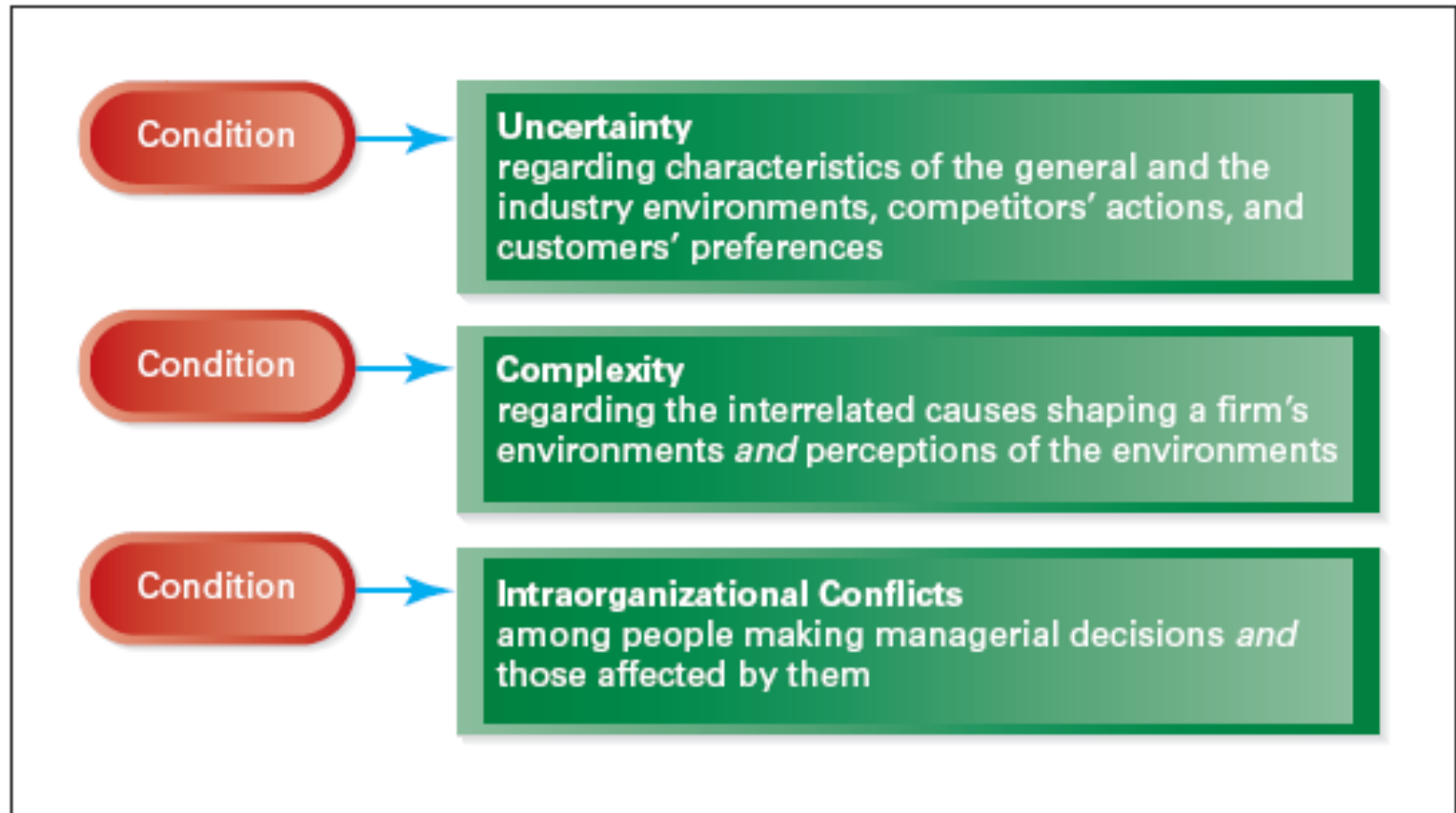
# Analyzing the Internal Organization (IO)

**Three topics:** 1) Context of Internal Analysis; 2) Creating Value; and 3) The Challenge of Analyzing the IO

## 3) The Challenge of Analyzing the IO

- Strategic decisions are non-routine, have ethical implications and influence the organization's above-average returns (Involves identifying, developing, deploying and protecting firms' resources, capabilities and core competencies)
- Managers face uncertainty on many fronts (e.g. proprietary technologies; changes in economic and political trends, societal values and shifts in customer demands; and increased complexity in the environment)
- Intraorganizational conflict (due to decisions about core competencies and how to nurture them)

## Conditions affecting managerial decisions about resources, capabilities, and core competencies







## Eight content areas

- Importance of understanding internal organization
- Value: Definition and importance
- **Tangible vs intangible resources**
- **Capabilities: Definition and development**
- Core competencies: Criteria
- Value Chain Analysis
- Outsourcing: Definition and “why?”
- Internal organization assessment and strategic decisions



## Competitive Advantage (CA) foundation includes

- Resources
  - Bundled to create organizational capabilities
  - Tangible and intangible (As seen in Figure 3.1)
- Capabilities
  - Source of a firm's core competencies and basis for CA
  - Purposely integrated to achieve a specific task/set of tasks
- Core Competencies
  - Capabilities that serve as a source of CA for a firm over its rivals
  - Distinguish a company from its competitors – the personality



## Tangible Resources

- Assets that can be seen, touched and quantified
- Examples include equipment, facilities, distribution centers, formal reporting structures
- Four specific types

## Intangible Resources

- Assets rooted deeply in the firm's history, accumulated over time
- In comparison to 'tangible' resources, usually can't be seen or touched
- Examples include knowledge, trusts, organizational routines, capabilities, innovation, brand name, reputation
- Three specific types



## Eight content areas

- Importance of understanding internal organization
- Value: Definition and importance
- Tangible vs intangible resources
- Capabilities: Definition and development
- **Core competencies: Criteria**
- **Value Chain Analysis**
- Outsourcing: Definition and “why?”
- Internal organization assessment and strategic decisions



**Tools to identify and build on firms core competencies:** 1) four specific criteria of sustainable CA; and 2) value Chain Analysis

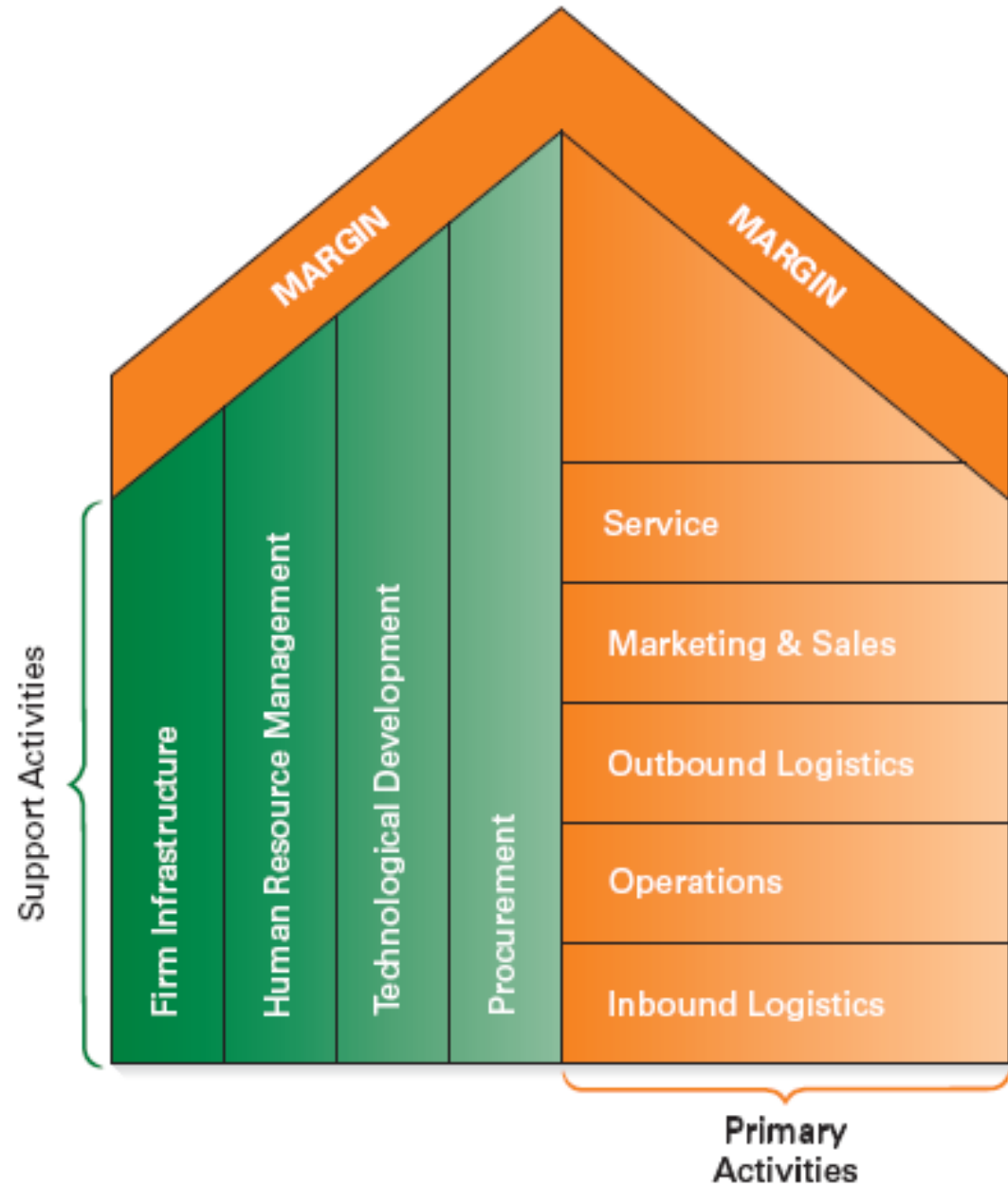
**1) Specific criteria of sustainable competitive advantage.**

**Capabilities that are:** a) valuable; b) rare; c) costly-to-imitate; and d) non-substitutable.

**2) Value Chain Analysis**

- Primary activities: involved with product's physical creation, sales and distribution to buyers, and service after the sale (e.g. service, marketing/sales, outbound/inbound logistics and operations)
- Support activities: provide assistance necessary for the primary activities to take place. Includes firm infrastructure, HRM, technologies development and procurement.

# The Basic Value Chain





## Eight content areas

- Importance of understanding internal organization
- Value: Definition and importance
- Tangible vs intangible resources
- Capabilities: Definition and development
- Core competencies: Criteria
- Value Chain Analysis
- **Outsourcing: Definition and “why?”**
- **Internal organization assessment and strategic decisions**



# Outsourcing

**Definition:** purchase of a value-creating activity from an external supplier.

- Effective execution includes an increase in flexibility, risk mitigation and capital investment reduction
- Trend continues at a rapid pace
- Firms must outsource activities where they cannot create value or are at a substantial disadvantage compared to competitors

## Can cause concerns

- Usually revolves around innovative ability and loss of jobs





- Firms must identify their strengths and weaknesses
- Appropriate resources and capabilities needed to develop desired strategy and create value for customers/other stakeholders
- Tools (i.e., outsourcing) can help a firm focus on core competencies as the source for CA
- Core competencies have potential to become core rigidities (competencies emphasized when no longer competitively relevant can become a weakness)
- External environmental conditions and events impact a firm's core competencies