


Strategic Management Course

Oct. 2005 – June 2006

Lessons 15 & 16 - Strategic Decisions

Prof. David Ward

Course Outline and Contents

- Introduction to Strategy and Strategic Management
- Business Strategy
- Competitive Advantage
- Internal Context: Organisation Design
- Organisation and Competitive Advantage
- External Context: Industry Analysis
- The Spectrum of Competition and Niche Markets
-  • Competition in Concentrated Markets
- Entry and the Advantage of Incumbency
- Creating and Capturing Value in the Value Chain
- Globalisation and Strategy
- Current trends in Strategic Management
- Strategic Management in a Changing Environment

Summary of Lessons 13 & 14

Trends: are directions that have been taken or are taking place within a specific context. For example, more and more commuters are preferring personal transport rather than public transport to reach their workplace and this ‘trend’ is expected to continue.

Discontinuity: a collection of trends and/or circumstances where the general context has changed e.g. digital photography has generated dedicated printers, memory chips (smart cards), cameras, short videos etc. but also *discontinued* traditional film photography.

Data Mining: is a suite of sophisticated statistical techniques aimed at mining numerical data to reveal hidden *treasure* in data.

Vision: Sit back and just capture the feelings and sensations, even better climb a mountain and watch the scenery. Think about opportunities and then build on them.

Data and Business Analysis can take many forms



Compound	Type	Indication	Phase	Estimated filing dates	
				MAA	NDA
Respiratory & Inflammation					
GW328267	adenosine A2 agonist	asthma & COPD	I		
fluticasone/salmeterol	beta2 agonist/inhaled corticosteroid	rhinitis – intranasal combination product	I	2003	2003
SB 223412	tachykinin (NK3) receptor antagonist	COPD (also urinary incontinence)	I		
SB 683698 (TR14035)	dual alpha4 integrin antagonist (VLA4)	asthma & rheumatoid arthritis	II		
SB 273005	osteoclast vitronectin receptor antagonist	rheumatoid arthritis (also osteoporosis)	I		
Ariflo	PDE IV inhibitor	asthma	II		
Ariflo	PDE IV inhibitor	COPD	III	TBD	2002
mepolizumab (SB240563)	anti-IL 5 monoclonal antibody	asthma – steroid sparing	II		
Flovent	inhaled corticosteroid	asthma – once daily dosing	III	N/A	2001
Fluticoid/Flovent	inhaled corticosteroid	COPD	Approved	A:Sep99	2001
Non-CFC Metered Dose In					
Serevent			III	2003	2003
Fluticoid/Flovent			Approved	A:Apr97	2001
Ventolin			Approved	A:Jun97	AL:Jan01
Seretido/Advair			Approved	A:Jun00	S:Dec00
Diskus/Accuhaler (dry po					
Seretido/Advair			III	2001	2001
Seretido/Advair			Approved	A:Sep98	2002
Seretido/Advair			III	2001	2001
Serevent			III	2001	2001
Ventolin			Approved	A:Dec95	AL:Jul00

MEDIA ROOM



November 18, 2002
GlaxoSmithKline announces \$1.5 million in community development grants to combat malaria in Africa

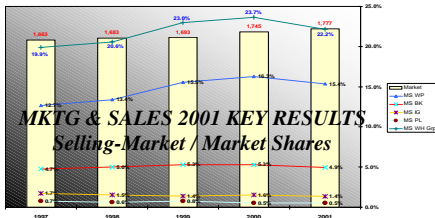
November 18, 2002
Win copies of HIV and AIDS: facts that could change your life

November 15, 2002
Phase II Study of Navelbine Plus Gemcitabine Suggests Similar Efficacy to Standard Platinum-based Combination in Non-Small Cell Lung Cancer

November 15, 2002
Magic Johnson brings message of hope to African Americans with HIV

Summary of Lessons 13 & 14

Not just Number Crunching.....



Million of Euro	Actual	Actual	Actual	Apr:est	Strategic Plan			
	1999	2000	2001	2002	2003	2004	2005	2006
Industry Growth		5.3%		-2.7%	1.9%	1.9%	1.5%	1.9%
Units Western Region	2,144.5	2,186.4	2,193.5	2,210.8	2,239.4	2,268.8	2,298.1	2,328.0
Units Italy	455.4	419.3	377.1	372.5	399.3	418.5	437.4	456.2
Units West + Italy	2,400.9	2,605.7	2,570.6	2,583.4	2,732.7	2,689.1	2,835.5	2,784.2
Units Central Europe	226.2	227.2	286.6	487.1	632.8	695.9	760.0	820.8
Units (excl Serv & Em)	2,627.2	2,832.8	2,858.6	3,070.5	3,370.8	3,386.0	3,595.5	3,605.0
Units Em Markets (excl Italy)	382.7	421.0	495.0	558.8	566.1	589.4	608.4	629.5
Units (Europe excl Services)	3,209.9	3,253.8	3,353.6	3,629.4	3,936.7	4,184.3	4,403.9	4,634.6
Growth		1.4%	2.7%	8.7%	8.2%	6.2%	5.2%	5.1%
Market Share (Excl Serv & Em)	13.4%	13.5%	13.8%	14.7%	15.8%	16.6%	17.2%	17.8%
Sales (Europe excl Services)	866.0	791.7	797.2	776.8	844.4	895.7	959.5	1,014.1
Growth		-8.5%	-0.7%	-2.7%	8.7%	7.9%	7.0%	6.3%
Average Price	217.5	215.8	219.4	215.8	214.5	219.4	217.9	219.2
Price Change		-0.8%	1.6%	-1.4%	-0.6%	2.5%	-0.7%	0.6%
GMI excl. MAT Productivity	183.4	174.8	184.3	193.4	209.2	224.3	238.6	253.0
%		-4.7%	5.1%	8.2%	7.6%	6.6%	5.6%	6.1%



Too Many Choices



Latchkey Households



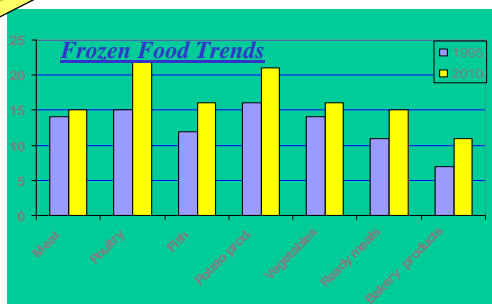
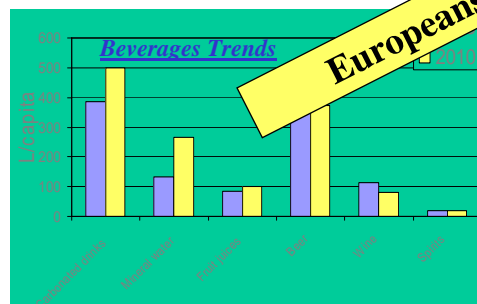
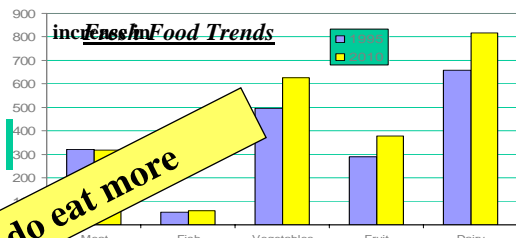
Financial Overload

...but also the insights

Summary of Lessons 13 & 14

Customer Insights and Trends

- Dairy products, Fruits and vegetables show consumption all countries
- Frozen Foods consumption increase, specifically vegetables, poultry & bakery products
- Increasing trend in use of soft drinks and bottles water



Europeans do eat more

Summary of Lessons 13 & 14

Number Crunching and Planning from the Past

Million of Euros	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Aprfcst</i>	<i>Strategic Plan</i>			
	1999	2000	2001	2002	2003	2004	2005	2006
Industry Growth			0,3%	-0,7%	1,9%	1,6%	1,5%	1,6%
Units Western Region	2.144,5	2.186,4	2.193,5	2.210,9	2.338,4	2.480,6	2.598,1	2.720,6
Units Italy	455,4	419,3	377,1	372,5	399,3	418,5	437,4	456,2
Units West + Italy	2.600,0	2.605,6	2.570,6	2.583,4	2.737,7	2.899,1	3.035,5	3.176,8
Units Central Europe	226,2	227,2	296,0	497,1	632,9	696,9	760,0	820,6
Units (Eur excl Serv & Em)	2.826,2	2.832,8	2.866,6	3.080,5	3.370,6	3.596,0	3.795,5	3.997,3
<i>Growth</i>		0,2%	1,2%	7,5%	9,4%	6,7%	5,5%	5,3%
Units Em Markets (excl Italy)	382,7	421,0	495,0	558,8	566,1	588,4	608,4	629,5
Units (Europe excl Service)	3.208,9	3.253,8	3.361,6	3.639,4	3.936,7	4.184,5	4.403,9	4.626,9
<i>Growth</i>		1,4%	3,3%	8,3%	8,2%	6,3%	5,2%	5,1%
Market Share (Eur excl Serv & Em)	13,4%	13,5%	13,6%	14,7%	15,8%	16,6%	17,2%	17,9%
Sales (Europe excl Service)	698,0	701,7	707,2	770,9	844,4	905,7	959,5	1.014,1
<i>Growth</i>		0,5%	0,8%	3,7%	9,5%	7,3%	5,9%	5,7%
Average Price	217,5	215,6	210,4	211,8	214,5	216,4	217,9	219,2
<i>Total Change</i>		-0,9%	-2,4%	-0,4%	1,3%	0,9%	0,7%	0,6%
GMII excl. M&T Productivity	183,4	174,6	164,3	193,4	209,2	224,3	238,6	253,0
%	26,3%	24,9%	23,2%	25,1%	24,8%	24,8%	24,9%	24,9%

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Summary of Lessons 13 & 14

Some Principles of the Strategy Process

- In SM Strategic thinking is more important than strategic planning.
- The essence of a strategy is a statement of objectives, scope, competitive advantage and logic.
- Strategy is an inherently creative process.
- Strategy is not just the responsibility or domain of the firm's most senior management.
- The firm's organisation and its strategy are intimately interrelated.
- No matter how much planning the firm does, the strategy will still evolve in unintended ways.
- Corporate strategy must add value to the business-level strategies.

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Keywords of Lessons 13 & 14

Trends
Discontinuities
Subjective
Objective
Data mining
Capture
Opportunities
Visionary
Consumers (consumer insights)
Industry
Globalisation
Strategy process
Strategy identification
Strategy evaluation
Strategic option development

Lessons 15 & 16 - Strategic Decisions

- Back flashes of Lessons 13-14 and open questions
- A closer look at the principles of the strategy process
- The Strategy Process
- More on Vision, Mission and Values (the case of Beghelli)
- The business strategy process
- Strategic plans
- The evolution of strategy
- Report and Examination preparation

 This lesson was based on pages 25 to 36, 387 to 397 of the recommended textbook or pages 28-41, 463 to 483 in the Italian version of the textbook.

 Also review pp.471-487 in Colin White's text

A Closer look at the Principles of the Strategy Process

- Strategic thinking is more important than strategic planning

Although planning is critical for the success of the strategy if it is carried out too systematically and tactically the firm can become too linear and miss a discontinuity or be too slow to react. In other words the strategy remains (too) static in spite of the fact that the external context is dynamic.

- The essence of a strategy is a statement of objectives, scope, competitive advantage and logic

Although change is part of the evolution of the market place and strategy will need to be regularly checked, there is no excuse for not making the strategy clear within the organisation.

A Closer look at the Principles of the Strategy Process

- Strategy is an inherently creative process

As was shown in lesson 7 the generation of new businesses is both evolutionary and fruit of human creation. However, strategy is rarely seen like this.

- Strategy is not just the responsibility or domain of the firm's most senior management

This is especially true for global firms or those with different business interests. In large firms the workforce is convinced that strategy is exclusive to upper management and things are also very similar for family businesses as well. This is true but thinking strategically at all levels implies a much more mature and robust company.

A Closer look at the Principles of the Strategy Process

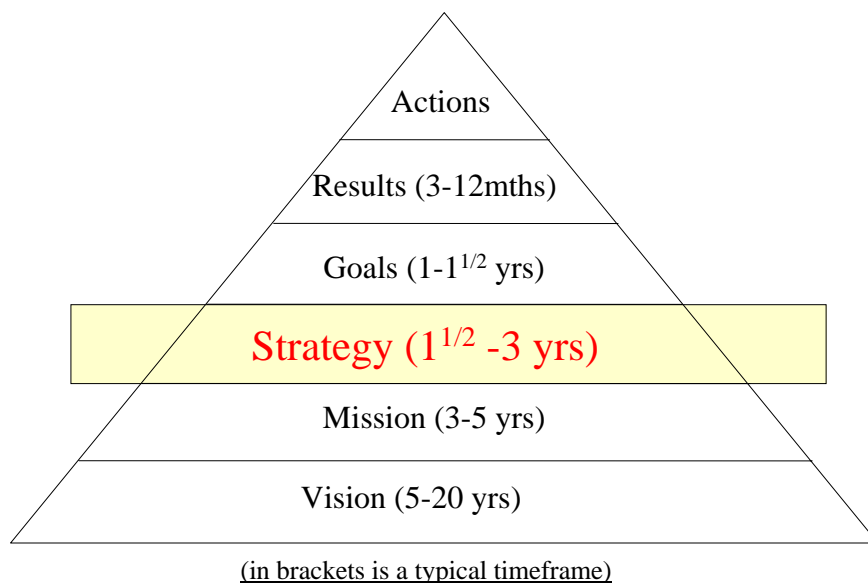
- The firm's organisation and its strategy are intimately interrelated

From the ARC method we have seen the strong and rigid link between strategy and culture-routine-architecture. Imitating another firm's winning strategy does not guarantee success because of this link. Hence a change in strategy will almost certainly require an examination of the organisation.

- No matter how much planning the firm does, the strategy will still evolve in unintended ways

As was seen in lesson 7 we cannot stop creativity and often change comes about by accident or tragedy. One of the consequences is that the strategy needs to be monitored & updated.

From Vision to Actions



A Closer look at the Principles of the Strategy Process

- Corporate strategy must add value to the business-level strategies

Corporate strategy must provide benefits at business level, if it doesn't it will add cost, confusion and calamity.

The Corporate strategy process must therefore be intended to:

- A. Provide a framework in which the businesses act coherently with the overall vision of the corporate strategy
- B. Provide and guide sound business strategies
- C. Add value both a corporate and business levels.

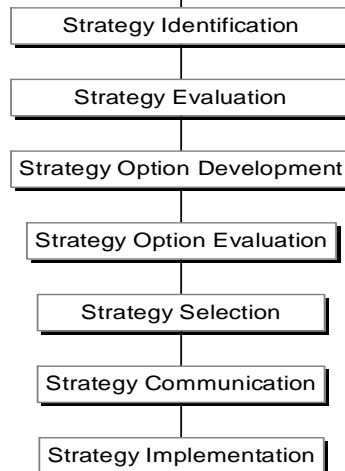
The Strategy Process

In order to develop a strategy it is common, advised or necessary to follow a process.

There is no fixed or perfect process for strategy development but there are standard steps that help it happen.

Along this path you will have to make strategic decisions.

Steps for setting Strategy



Make Decisions

More on Vision, Mission and Values

Vision: To choose a direction, a leader must first have developed a mental image of a possible and desirable future state of the organisation. With a vision the leader provides the all-important bridge from the present to the future of the organisation. This is probably the most difficult of decisions.

Vision, Mission and Values are intended to:

- A. Clarify a firm's goals, provide consistency and avoid working on cross-purposes.
- B. Inform potential stakeholders and donors (investors) what the firm is all about.
- C. Clarify, especially with suppliers, buyers, investors what values the firm treasures and believes in.

Feeling Safe (or Safer)

Trend: People are feeling more and more insecure (in spite of falls in crime rate in Italy for example).

Headline: From security devices considered too expensive, intrusive and time consuming, to security devices considered absolutely necessary (e.g. satellite car alarms).

Opportunity: home safety devices for children and the elderly...



Will prison detention become a thing of the past? What are the alternatives and could this become a discontinuity?

Relationship of Strategy to Vision, Mission, Values: California State University: Is this Clear?

“CSU sees its unique residential situation as an opportunity to create an intensive, high-quality learning environment. We have a vital and collaborative community of active and involved students, a well-respected, scholarly, and caring faculty, a superior support staff, and innovative leadership together with cutting-edge learning and information resources--all placed within a beautiful and engaging physical environment. Through such an enriched community, we hope to stimulate intellectual rigor, development of values, and creative accomplishment and to evoke callings to imaginative citizenship in the worlds beyond the University. We can aspire to be the university of choice, a magnet school, for all those seeking these strengths.”

More on CSU

“Strategies: This Vision Statement, in dialogue with its contemporary context, is best expressed through specific action plans integrated by a number of themes.”

“Strategic Planning: We will strategically manage all university resources and assess outcomes so they are congruent with this Vision Statement. Above all, we will direct procedures, resources, and rewards to the benefit of innovative teaching and learning.

We will diversify our revenue sources and create and maintain partnerships with alumni, corporate, and other publics in support of strategic initiatives.”

Could the CSU vision, mission statement and values be improved?

Coca Cola Values

Coca-Cola OUR COMPANY CITIZENSHIP INVESTORS PRESS CENTER CAREERS CONTACT US SITEMAP

Our Beliefs
What's New
Our Diversity
Leadership
Our Brands
Around the World
Our Heritage
About Bottling

The Coca-Cola Promise : Marketplace : Workplace : Environment : Community

OUR BELIEFS [printable version >](#)

There is much in our world to celebrate, refresh, strengthen and protect. The Coca-Cola Company is a vibrant network of people, in nearly 200 countries, putting citizenship into action. Through our actions as local citizens, we strive every day to refresh the marketplace, enrich the workplace, protect the environment and strengthen our communities.

We are a local employer, with responsibility to enable our people to tap into their full potential; working at their innovative best and representing the diversity of the world we serve.

We are an investor in local economies and a driver of marketplace innovation, with a responsibility to act as a good steward of our natural environment.

And we are a local citizen, understanding our responsibility to contribute to an improved quality of life in our communities.

THE COCA-COLA PROMISE

MORE TO EXPLORE...

- > Annual Reports
- > Keeping Our Promise - Citizenship At Coca-Cola

The Vision of Microsoft

About Microsoft

Your Potential. Our Passion.

At Microsoft, we see no limits to the potential we all might reach because we see no limits to human imagination. That is what inspires us. And that is why we create software that helps people and businesses reach their potential. It's not just our purpose. It's our passion.



Strategy Identification

Reaction

Counterattack and chase the competition.
From follower to first.

Action

Set the pace and lead the competition.
From first to leader



Lavoriamo per continuare ad essere un punto di riferimento per la nostra clientela.



Turning Aspiration into Action



Sustainability Is Key

Administrator O'Keefe's Vision for NASA



"In broad terms, our mandate is to pioneer the future to push the envelope.....to do what has never been done before.

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As part of its global growth strategy, the GM Group includes alliances with Fiat Auto SpA, Fuji Heavy Industries Ltd., Isuzu Motors Ltd. and Suzuki Motor Corp. GM also has strong technology collaborations with Toyota Motor Corp. and Honda Motor Co., and vehicle manufacturing ventures with Toyota and Renault SA. GM's sustainable development efforts, Cullum said, are focused on four areas:

Products: Work includes using advanced technology to develop vehicles with cleaner emissions and better fuel economy.

Plants: GM has reduced pollution from its North American manufacturing operations by 24 percent over the last two years.

Partnerships: General Motors is co-chairing a research project which studies sustained mobility needs and methods of transportation, as well as future land transportation systems. The World Business Council on Sustainable Development coordinates the three-year project.

People: The strongest asset of GM, well-trained and competent employees are essential to sustainable development. "We strive to have the best-trained environmental engineers in the world," said Cullum.

"Sustainability is a balance of environmental, social and economic objectives," he said. "How that balance is achieved will change from time to time as the make-up of the objectives change. But we must maintain the equilibrium."

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Coffee Break

you have 10 minutes!

Nokia

NOKIA
CONNECTING PEOPLE

Vision and Strategy



Nokia, the trusted brand, creates personalized communication technology that enables people to shape their own mobile world. We also see mobile technology as an enabler to help create a more environmentally sound world.

The rise of mobile communications, combined with better product design, tighter control of production processes and greater reuse of materials and recycling are all helping to reduce the use of scarce natural resources.

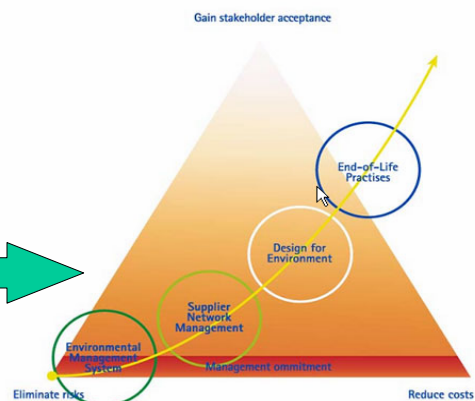
Many activities which currently use large amounts of energy and raw materials, could be moved into the digital space to greatly reduce their environmental impact. Such new opportunities, however, come hand in hand with responsibility.

[View image Environmental strategy >>](#)

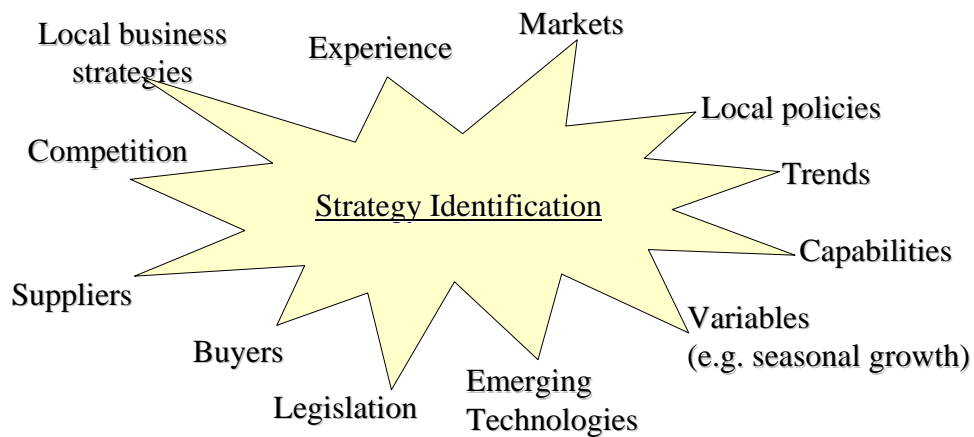
At Nokia we do this through four key programs - Environmental Management Systems, Supplier Network Management, Design for Environment and sound End-of-Life practices. Our goal is to develop advanced people-based technology, products and services with no undue environmental impact that are efficient energy consumers and can be reused, recycled or disposed of safely.

We believe in life cycle thinking, eco-efficiency and sustainability. Respecting the natural world is part of company life and co-operation with all our stakeholders is at the heart of Nokia's drive for a credible environmental performance.

Environmental Strategy



Possible Inputs for Identifying a possible Strategy



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The Strategy at Ford Motor Co.



Tool and Strategy Development Is Our Focus in 2001 During 2001, we will:

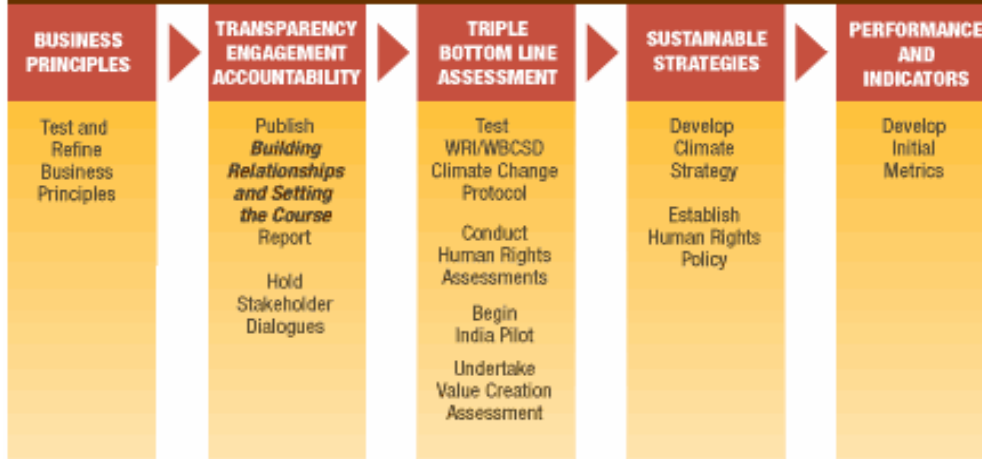
- Expand our efforts to increase understanding of corporate citizenship among Ford employees
- Test our draft business principles with employees and make needed refinements
- Expand our stakeholder engagement and transparency efforts
- Identify ways to integrate corporate citizenship into our strategic decision-making processes
- Conduct assessments of our environmental, economic and social impacts, with special attention to the issues of value creation, climate change and human rights
- Guide development of our climate change and human rights strategies
- Develop initial metrics to measure our progress

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2001 MILESTONES



Our Vision

Our vision is to become the world's leading consumer company for automotive products and services.

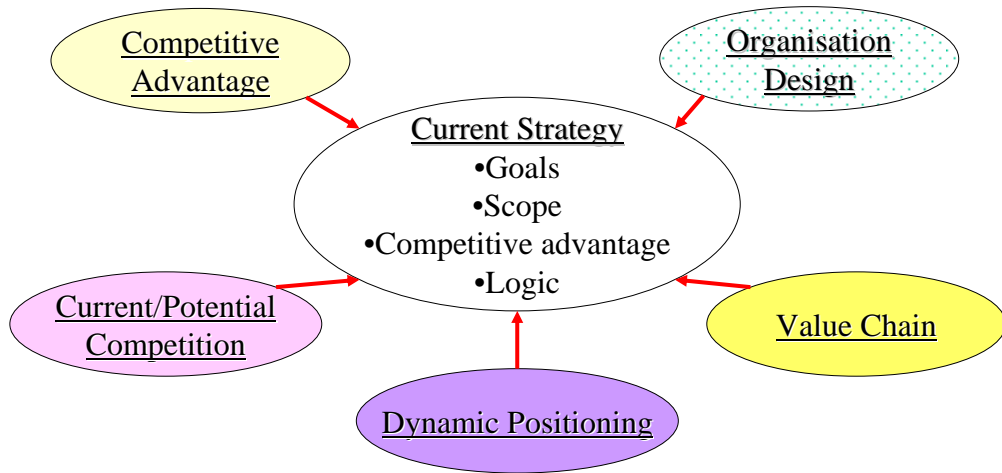
Our Mission

We are a global family with a proud heritage, passionately committed to providing personal mobility for people around the world. We anticipate consumer needs and deliver outstanding products and services that improve people's lives.

Our Values

The customer is Job 1. We do the right thing for our customers, our people, our environment and our society. By improving everything we do, we provide superior returns to our shareholders.

Decisions about Developing and Evaluating Strategic Options



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Inputs to Strategic Evaluation

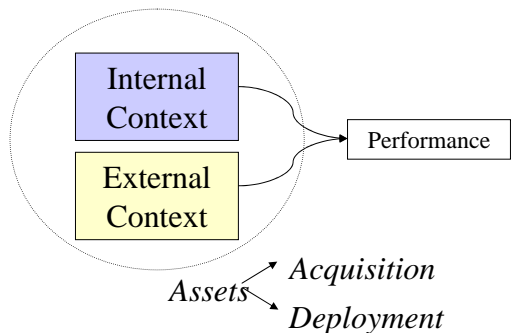
<i>Competitive Advantage</i>	<i>Organisation Design</i>	<i>Value Chain</i>	<i>Dynamic Positioning</i>	<i>Current-Potential Competition</i>
Position	ARC Analysis	Value Creation & Capture	Explorer and Exploiter	Industry Structure
Capabilities	Coordination	PIE	Learning (KM)	Competitive behaviour
Cost/Quality Frontier	Incentives	Vertical Architect	Industry Life Cycle	Differentiation
Sustainability	Strategic Alignment		Scenario analysis	Barriers to Entry

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The role of Business Strategy

The primary role of business strategy is to ensure that the internal context of a company matches the external context so as to guarantee (sustainable) performance.



“L'obiettivo strategico di Alitalia è rafforzare la propria presenza sui tavoli di confronto nazionale ed internazionale in materia di trasporto aereo, di sviluppo infrastrutturale, di comunicazione e di tutela ambientale.”

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Internal Context

- A firm's competitive advantage is based on its strategic assets.
- In order to maintain the competitive advantage a firm must succeed in ensuring that rivals cannot imitate its capabilities and the barriers to its positional advantage remain intact.
- A firm must ensure that it has internal consistency i.e. the firm's strategy fits with its organisation.

Innovative design



Capable of not just following design trends but also predicting and driving them.

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External Context

Four possible areas to understand the external context

What the competition is doing
and (possible) future moves

Mapping the industry
(e.g. road maps)

How the industry has
changed or is changing

Scenario analysis to predict
the future of the industry

The essence of strategy evaluation is to check that the logic of the strategy is compelling. Doing so means evaluating that the internal strategic assets are organised and appropriate to the strategy that the firm is pursuing and that strategy exploits and mitigates the threats from the external environment.

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Analysing the Industry

Data Categories

- Product lines incl. complementary and substitute products
- Buyers and their behaviours
- Growth
 - Rate
 - Pattern (seasonal, cyclical)
 - Determinants
- Technology of production and distribution
 - Cost Structure
 - Economies of scale
 - Value added
 - Logistics
 - Labour (factory workforce)

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Analysing the Industry

Data Categories cont'd

- Marketing and Sales
 - Market segmentation
 - Marketing practises
- Suppliers
- Distribution channels (if indirect)
- Innovation
 - Types
 - Sources
 - Rate
 - Economies of scale
- Competitors (strategy, goals, strengths and weaknesses, assumptions)
- Social, political, legal environment
- Macroeconomic environment

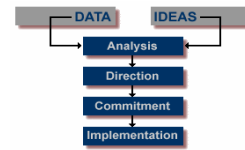
Strategic Plans



The Strategic Plan maps NASA's strategy for observation and research on our home planet for the next 5 years, set in the context of a 25-year roadmap for the future. The Plan defines our goals and objectives, science priorities, and broad implementation approaches.

<http://earth.nasa.gov/visions/>

A Strategic Planning Company



Mission Statement

We assist decision makers in small to mid-sized companies in determining the most appropriate course and direction of the enterprise and effectively and efficiently focusing their resources in support of that course and direction with minimal time and expense. We are committed to total client satisfaction and superior results in all that we do. As the premier strategic planning specialists for small to mid-sized organisations, we provide leading edge planning and implementation processes and superior ability to stimulate good strategic thinking. In pursuit of our mission, we work hard, take pride in our work and have fun doing it.

Strategic Planning example: <http://www.cssp.com/default.asp>

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Typical Planning Ingredients

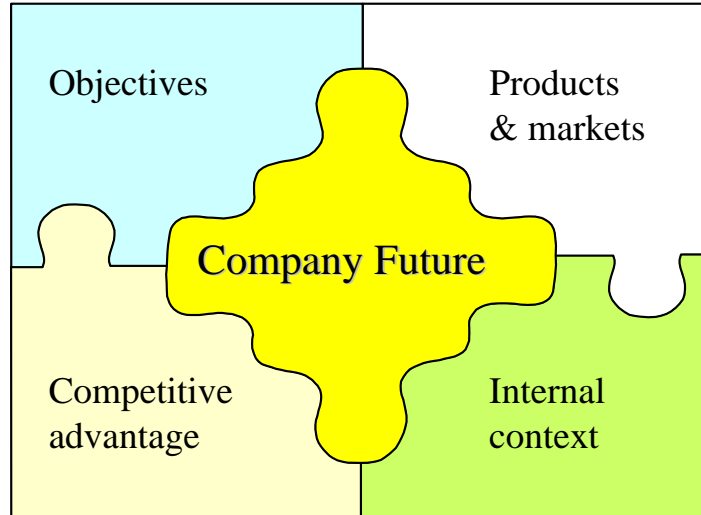
- Vision and/or mission statement (both corporate, business, dept.)
- Strategy statement with long-term goals
- Overall picture of firm's internal and external contexts
- Trend monitoring
- Benchmarking
- Identification of areas of intervention and interest
- Outline or schematic of major objectives and targets
- Actions and approach
- Financial Measurements

See figure 15-3, page 392 of textbook

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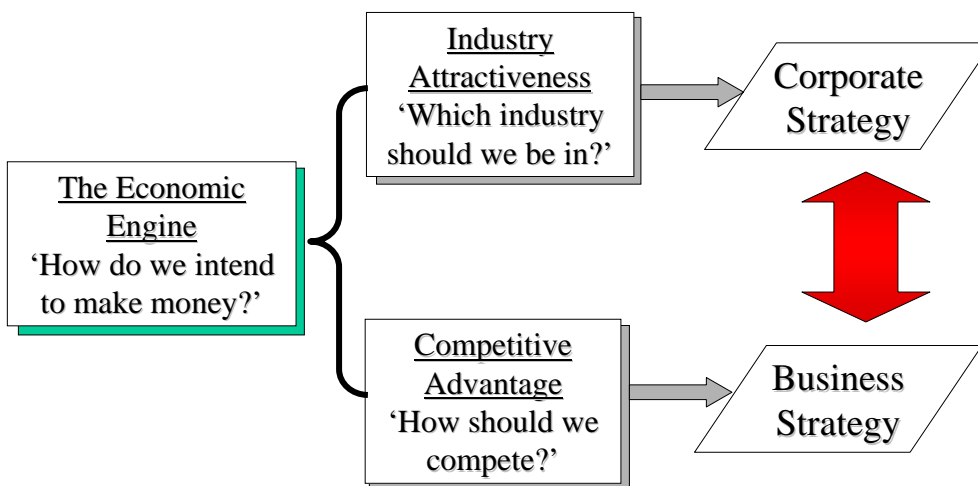
Business Strategy Blocks



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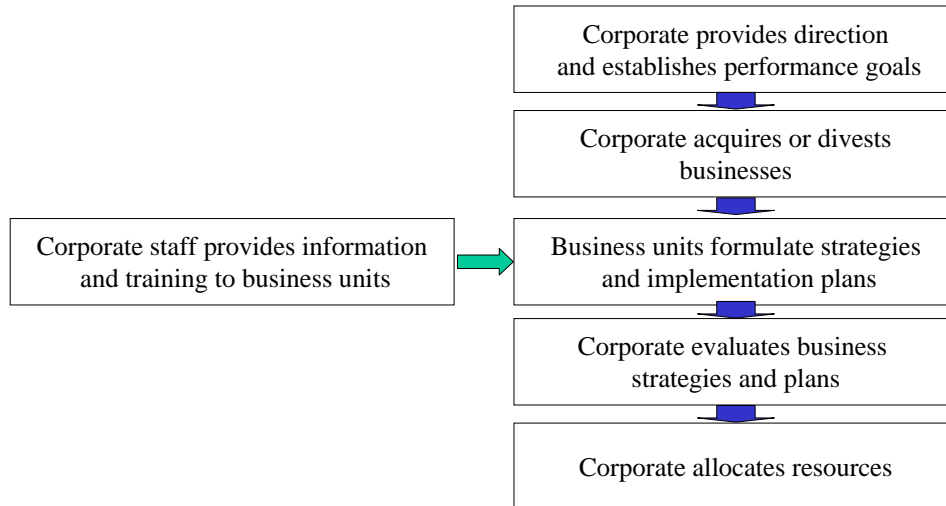
Business & Corporate Strategy



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Strategically Independent Business Units



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Information Sources

Case studies

- Glaxo example: <http://www.gsk.com/media/pressreleases.htm>
- Strategic Planning example: <http://www.cssp.com/default.asp>

Bibliography

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Keywords of Lessons 15 & 16

- Identification
- Markets
- Insights
- Evolution
- Analysing
- Strategic plans
- Independent business unit
- Evaluation
- Ingredients
- Business
- Corporate
- Evaluation
- Strategy process
- Executive Summary and Abstract
- Minor and Major command words