MSL 686
Strategic Leadership
Belhaven University

Unit 1:

- Competitive Landscape
- Global Economy, Strategic Leaders, Stakeholders and the Strategic Management Process

Welcome to MSL 686

- The focus of this course is to understand the development and implementation of effective business management strategies that are utilized by ethical business leaders. Strategy formulation, actions, business capabilities and implementation in the global business environment is emphasized in this course.
- Biblical principles are integrated into the course.

Format for Unit Sessions

- Introduction
- Class Topics
- Class Objectives
- Lecture

Learning Tools

- Class lectures
  - Hearing and seeing
- Textbook
  - Reading
- Individual homework
  - Analyzing
- Discussion forum
  - Applying and examining

- Completing all components is very important to accomplish the objectives of the course.

Online Learning

- Characteristics
  - Online learners must be highly self-motivated.
  - Online learners must have high responsibility for assignments and discussions.
- Facts
  - Online learning is not easier than traditional classroom learning.
  - Learners must meet deadlines.
  - It’s easy to think we’re anonymous because there’s no face time.

Tips for Success

- Course Page
  - Activities
    - Individual homework
  - Discussion forum
    - Weekly discussions
  - Media
    - Module
    - Handouts & links
    - Class lectures
- Schedule
  - Be attentive to deadlines.
  - The week (unit) begins on Sunday and ends on Saturday.
    - Observe Sabbath
    - Manage your time

Tips for Success, cont.

- Communicate
  - Ask questions
  - Participate
  - Be engaged in discussion
  - Seek handouts
  - Contact the professor with questions or problems

Course Objectives

- Develop an understanding of the Christian worldview of strategic management.
- Identify and understand strategy formulation used by domestic and international firms. Identify corporate rivalry and competitive dynamics in the global business environment.
- Understand merger and acquisition strategies.
- Understand strategic ethical business leadership.

Introduction

Unit One Addresses:

- **Strategic Management Process**
- **Strategic Competitiveness**
- **Global Impact of Strategic Decisions**
- **Above Average Returns**
- **Competitive Landscape**
- **Value of Vision and Mission**
- **Work of Strategic Leaders**

Unit Topics

- **Strategic competitiveness**
- **Competitive landscape**
- **Strategic management process**
- **Above average returns**
- **Vision and mission of the business**
- **Stakeholders and their role**
- **Strategic leaders**
- **Work of Strategic leaders**

Unit Objectives

- Understand strategic competitiveness.
- Understand strategy formulation.
- Understand competitive advantage.
- Understand the strategic management process.

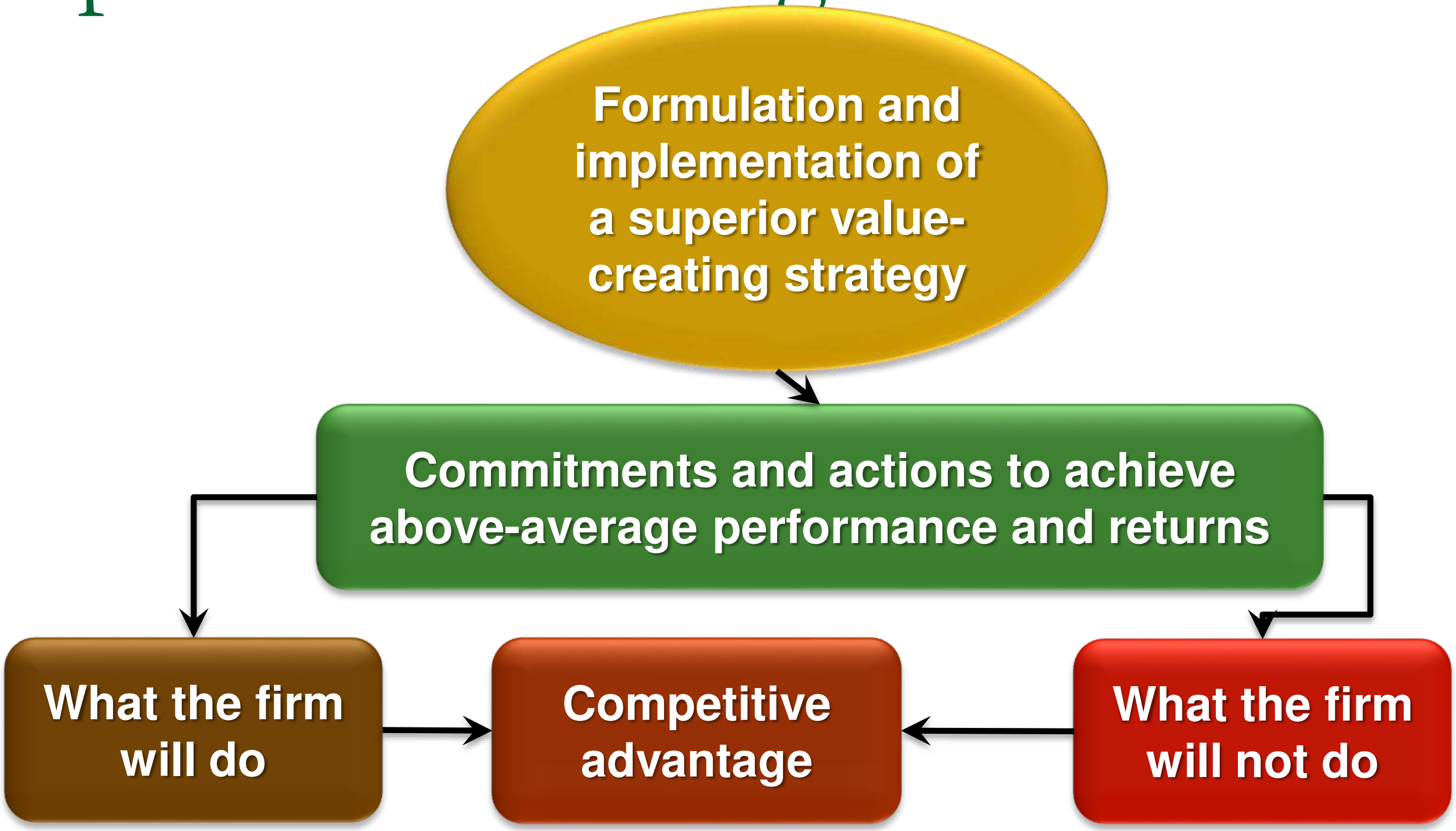
Strategic Competitiveness and Strategy

- ***Strategic competitiveness*** is achieved when a firm successfully formulates and implements a value-creating strategy. By implementing a value-creating strategy that current and potential competitors are not *simultaneously* implementing and that competitors are *unable* to duplicate, or find too costly to imitate, a firm achieves a ***competitive advantage****.*

Strategic Competitiveness and Strategy, cont.

- ***Strategy*** can be defined as an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage.

Competitive Advantage



Author(s): Hitt, Ireland Hoskisson
2017 Cengage Learning.

Competitive Advantage.

- So long as a firm can sustain (or maintain) a competitive advantage, investors will earn above-average returns. ***Above-average returns*** represent returns that exceed returns that investors expect to earn from other investments with similar levels of ***risk.*** (investor uncertainty about the economic gains or losses that will result from a particular investment)

Strategic Actions

- **Strategic actions** are guided by the firm's vision and mission, and are represented by strategies that are formulated or developed and subsequently implemented or put into action.
- Desired **performance** - strategic competitiveness and above-average returns - result when a firm is able to successfully formulate and implement value-creating strategies that others are unable to duplicate.

Strategic Management

- Two approaches to the strategic management process. The first, the *industrial organization model*, suggests that the external environment should be considered as the primary determinant of a firm's strategic actions. The second is the *resource-based model*, which perceives the firm's resources and capabilities (the internal environment) as critical links to strategic competitiveness.

Global Economy

- A ***global economy*** is one in which goods, services, people, skills, and ideas move freely across geographic borders.
- The emergence of this global economy results in a number of challenges and opportunities. For instance, Europe is now the world's largest single market The European Union has become one of the world's largest markets, with 700 million potential customers.

Global Economy, cont.

- Today, China is seen as an extremely competitive market in which local market-seeking MNCs (multinational corporations) fiercely compete against other MNCs and local low-cost producers. China has long been viewed as a low-cost producer of goods. China is now an exporter of local management China is now an exporter of local management talent. Procter & Gamble actually exports Chinese management talent.

Global Competition

- Global competition has increased performance standards: including quality, cost, productivity, product introduction time, and operational efficiency. Moreover, these standards are not static; they are exacting, requiring continuous improvement from a firm and its employees. In the twenty-first century competitive landscape, only firms that meet, and perhaps exceed, global standards are likely to earn strategic competitiveness.

Technology and Technological Changes

Technology and Technological Changes

- Three technological trends and conditions are significantly altering the nature of competition:
  - Increasing rate of technological change and diffusion
  - The information age
  - Increasing knowledge intensity

Technology and Technological Changes, cont.

- The shorter product life cycles that result from rapid diffusion of innovation often means that products may be replicated within very short time periods, placing a competitive premium on a firm’s ability to rapidly introduce new products into the marketplace. In fact, speed-to-market may become the sole source of competitive advantage.

Technology and Technological Changes, cont.

- Changes in information technology have made rapid access to information available to all firms. Consider the rapid growth in the following technologies: personal computers (PCs), cellular phones, computers, personal digital assistants (PDAs), artificial intelligence, virtual reality, and massive databases. The ability to access and use information has become an important source of competitive advantage in every industry.

Strategic Flexibility

- ***Strategic flexibility*** represents the set of capabilities that firms use to respond to the various demands and opportunities that are found in dynamic, uncertain environments. This implies that firms must develop certain capabilities, including the capacity to learn continuously, that will provide the firm with new skill sets. A firm’s focus and past core competencies may actually slow change and strategic flexibility.

I/O Model

The I/O model is based on the following four assumptions:

- 1.The external environment - *the general, industry, and competitive environments impose pressures and constraints on firms and determine strategies that will result in superior returns*. The external environment pressures the firm to adopt strategies limiting the scope of strategies that might be appropriate and eventually successful.

I/O Model, cont.

- 2. Most firms competing in an industry or in an industry segment control similar sets of strategically relevant resources and thus pursue similar strategies. This assumption presumes that, given a similar availability of resources, most firms competing in a specific industry (or industry segment) have similar capabilities and follow strategies that are similar. There are few significant differences among firms in an industry.

I/O Model, cont.

- 3. Resources used to implement strategies are highly mobile across firms. Significant differences in strategically relevant resources among firms in an industry tend to disappear because of resource mobility. Thus, any resource differences soon disappear as they are observed and acquired or learned by other firms in the industry.

I/O Model, cont.

- 4. Organizational decision-makers are assumed to be rational and committed to acting only in the best interests of the firm. The implication of this assumption is that organizational decision-makers will consistently exhibit profit-maximizing behaviors.

I/O Model, cont.

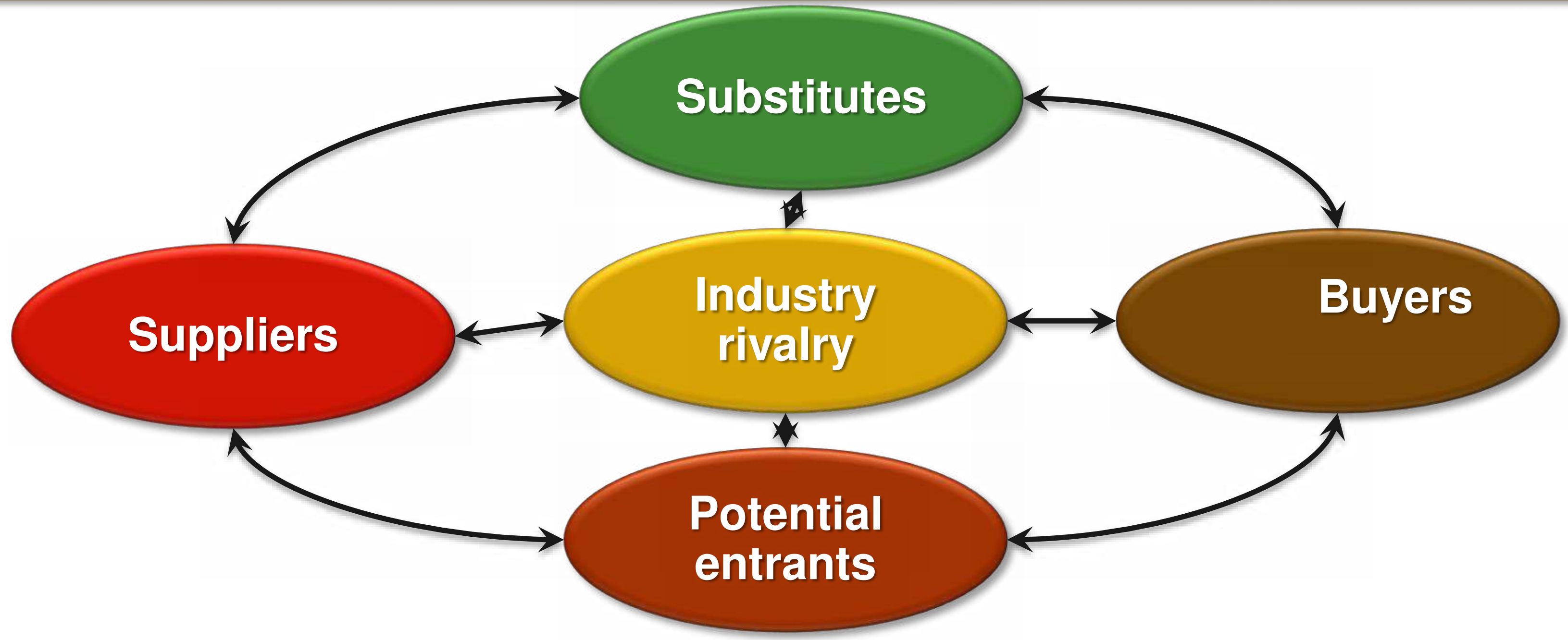
Based on its four underlying assumptions, the I/O model prescribes a five-step process for firms to achieve above-average returns:

- 1. Study the external environment - general, industry, and competitive - to determine the characteristics of the external environment that will both determine and constrain the firm's strategic alternatives.

I/O Model, cont.

- 2. Locate an industry (or industries) with a high potential for returns based on the structural characteristics of the industry. A model for assessing these characteristics it is: The Five Forces Model.

Five Forces Model of Competition



Hitt, Ireland, & Hoskisson (2017)

I/O Model, cont.

- 3. Based on the characteristics of the industry in which the firm chooses to compete, strategies that are linked with above-average returns should be selected. A model or framework that can be used to assess the requirements and risks of these strategies (the *generic strategies) is* called *cost leadership & differentiation.*

I/O Model, cont.

- 4. Acquire or develop the critical resources - skills and assets - needed to successfully implement the strategy that has been selected. A process for scrutinizing the internal environment to identify the presence or absence of critical skills is discussed in later in this course. Skill-enhancement strategies, including training and development are, also, discussed later in this course.

I/O Model, cont.

- 5. The I/O model indicates that above-average returns will accrue to firms that successfully implement relevant strategic actions that enable the firm to leverage its strengths (skills and resources) to meet the demands or pressures and constraints of the industry in which it has elected to compete.

Resource-Based Model

- The resource-based model of above-average returns is grounded in the uniqueness of a firm's internal resources and capabilities.
- Resources and capabilities lead to a competitive advantage when they are valuable, rare, costly to imitate, and non-substitutable.
- Resources are *valuable* when they enable opportunities or neutralizing external threats.

Resource-Based Model, cont.

- Resources are *rare* when possessed by few, if any, competitors.
- Resources are *costly to imitate* when other firms cannot obtain them inexpensively (relative to other firms).
- Resources are *non-substitutable* when they have no structural equivalents.

Vision

- ***Vision*** is a picture of what the firm wants to be, and in broad terms, what it wants to ultimately achieve. Vision is “big picture” thinking with passion that helps people *feel* what they are supposed to be doing.

Vision, cont.

Vision statements:

- Reflect a firm's values and aspirations
- Are intended to capture the heart and mind of each employee.
- Are enduring, whereas mission can change
- Tend to be relatively short and concise, easily remembered
- Rely on input from multiple key stakeholders

Mission

- A firm's ***mission*** is an externally focused application of its vision. It states the firm's unique purpose and the scope of its operations in product and market terms.
- The CEO is responsible for forming the firm’s mission with the assistance of managers who have direct contact with customers and markets.

Mission, cont.

- A firm's vision and mission must provide the guidance that enables the firm to achieve the desired strategic outcomes - strategic competitiveness and above-average returns - that enable the firm to satisfy the demands of those parties having an interest in the firm's success: organizational stakeholders.

Mission, cont.

- Earning above-average returns often is not mentioned in mission statements. The reasons for this are that all firms want to earn above-average returns and that desired financial outcomes result from properly serving certain customers while trying to achieve the firm's intended future. In fact, research has shown that having an effectively formed vision and mission has a positive effect on financial performance.

Stakeholders

- ***Stakeholders*** are the individuals and groups who can affect and are affected by the strategic outcomes achieved and who have enforceable claims on a firm's performance.
- Individuals and groups have a "stake" in the strategic outcomes of the firm because they can be affected by those outcomes and because achieving the strategic outcomes may be dependent on the support or active participation of certain stakeholder groups.

Stakeholders, cont.

- **The Three Stakeholder Groups**
- Capital market stakeholders
- Product market stakeholders
- Organizational stakeholders

Stakeholders, cont.

Stakeholder Groups, Membership and Primary Expectation or Demand		
Stakeholder group	Membership	Primary expectation/demand
Capital market	Shareholders	Wealth enhancement
	Lenders	Wealth preservation
Product market	Customers	Product reliability at lowest possible price
	Suppliers	Receive highest sustainable prices
	Host communities	Long-term employment, tax revenues, minimum use of public support services
	Unions	Ideal working conditions and job security for membership
Organizational	Employees	Secure, dynamic, stimulating, and rewarding work environment

Stakeholders, cont.

- When the firm is strategically competitive and earns above-average returns, it can afford to simultaneously satisfy all stakeholders. When earning average or below-average returns, tradeoffs must be made. At the level of average returns, firms must at least minimally satisfy all stakeholders. When returns are below average, some stakeholders can be minimally satisfied, while others may be dissatisfied.

Stakeholders

Primary stakeholders (individuals, groups and organizations)

- Can affect development of the firm's vision and mission
- Are affected by the strategic outcomes achieved by the firm
- Can have enforceable claims on the firm's performance
- Are influential when in control of critical or valued resources

Hitt, Ireland, & Hoskisson (2017).

Strategic Leaders

- Although it depends on the size of the organization, all organizations have a CEO or top manager and this individual is the *primary* organizational strategist in every organization. Small organizations may have a single strategist: the CEO or owner. Large organizations may have few or several top-level managers, executives, or a top management team. All of these individuals are organizational strategists.

Strategic Leaders, cont.

- Top managers play decisive roles in accomplishing the firms' desired strategic outcomes. As organizational strategists, top managers are responsible for allocating or acquiring resources to accomplish the strategic outcomes. Strategists also must consider the risks of actions under consideration, along with the firm's vision and managers' strategic orientations.

Strategic Leaders, cont.

- Organizational strategists also are responsible for determining *how* the organization does business. This responsibility is reflected in the ***organizational culture***, which refers to the complex set of ideologies, symbols, and core values shared throughout the firm and that influences the way it conducts business. The organization's culture is the social energy that drives - or fails to drive - the organization.

Predicting Outcomes of Strategic Decisions: Profit Pools

- Top-level managers try to predict the outcomes of their strategic decisions before they are implemented. Those firms that do a better job of anticipating the outcomes of strategic moves will obviously be in a better position to succeed. One way to do this is by mapping out the profit pools of an industry.

Profit Pools

- ***Profit pools*** are the total profits earned in an industry at all points along the value chain. Four steps are involved:
  - Define the pool's boundaries.
  - Estimate the pool's overall size.
  - Estimate the size of the value-chain activity in the pool.
  - Reconcile the calculations.

The Work of Effective Strategic Leaders

- **The Work of Effective Strategic Leaders**
- Though it seems simplistic, performing their role effectively requires strategists to work hard, perform thorough analyses of available information, be brutally honest, desire high performance, exercise common sense, think clearly, ask questions, and listen.

The Work of Effective Strategic Leaders, cont.

- In addition, strategic leaders must be able to “think seriously and deeply … about the purposes of the organizations they head or functions they perform, about the strategies, tactics, technologies, systems, and people necessary to attain these purposes and about the important questions that always need to be asked.” **Additionally, effective strategic leaders work to set an ethical tone in their firms.**

Unit Recap

- **Strategic actions** are guided by the firm's vision and mission, and are represented by strategies that are formulated or developed and subsequently implemented or put into action by ethical business leaders.
- Desired **performance** - strategic competitiveness and above-average returns - result when a firm is able to successfully formulate and implement value-creating strategies that others are unable to duplicate.

Unit Recap, cont.

In this unit we discussed:

- Strategic competitiveness.
- Competitive landscape.
- Strategic management process.
- Above average returns.
- Vision and mission of the business.
- Stakeholders and their role.
- Strategic leaders and their work.

What's next?

- Complete reading assignments
- Complete writing assignments
- Answer discussion questions
- Complete unit quiz

References

Hitt, M., Ireland, R., & Hoskisson, R. (2017). *Strategic Management Competitiveness and Globalization 2015-2017.* Boston, MA: Cengage.

Image References

Hitt, M., Ireland, R., & Hoskisson, R. (2017). *Strategic Management Competitiveness and Globalization 2015-2017.* Boston, MA: Cengage.