

# Strategic Management

Topic 9 • KC Notes

## 9.1 Strategic Management

- **Strategic Management:** direction which organisation intends to move
  - Higher organisational performance
  - Helps co-ordinate organisational units and resources to focus on goals
  - Reflective on internal and external characteristics and environment changes

## 9.2 Levels of Strategy

### 9.2.1 LEVELS OF ORGANISATIONAL STRATEGY

- **Corporate:** top management's overall plan for entire organisation, e.g. Westfarmers
- **Business:** how organisations compete in each strategic business unit (SBU), e.g. Kmart, Coles
- **Functional:** how to support business level strategies, e.g. HR, finance, research

### CORPORATE LEVEL STRATEGIES

- **Growth strategy:** increase business by expanding into new products and markets
  - Concentration
  - Vertical integration
  - Horizontal (towards industry competitors)
  - Related and unrelated diversifications
- **Stability strategy:** maintain status quo due to **uncertainty in environment**
  - Occurs when environment is dynamic or industry growth is slow
- **Renewal strategy:** counter weakness and decline
  - **Retrenchment:** eliminating non-critical weaknesses, restoring strengths
  - **Turnaround:** strong cost elimination and large scale changes

## 9.3 Strategic Management Process

1. **Identify mission, objectives and strategies**
  - **Mission:** customers, markets, technology, philosophy and self-concept
    - Also details its **concern** for public image and employees
  - **Goals:** definition for further planning
    - Hope to achieve in medium to long term future
    - Measureable performance targets

## 2. External analysis

- Examine organisation's environment
- **SWOT**: Identify **opportunities** (positive trends) and **threats** (negative trends)
- **PESTEL**: political, economic, social, technological, environmental and legal
- Can also be considered in two dimension:
  - **Change**: dynamic vs stable (degree of stability in environment)
  - **Complexity**: simple vs complex (no. of components in environment)

## 3. Internal analysis

- Assesses organisational resources, capabilities and activities
- **SWOT**: **Strengths** (core competencies) and **weaknesses** (poorly executed)
- Having a **competitive advantage** to maintain value, rarity and non-substitutable

## 4. Forming strategies

- **BCG Matrix**
  - High growth, high market share      Stars (Dan Murthy's)
  - High growth, low market share      Cash cows (Woolworths)
  - Low growth, high market share      Question marks (Masters)
  - Low growth, low market share      Dogs (Langton's Fine Wine)
- **Porter**
  - Cost-leadership: cheap
  - Differentiation: Unique product or service
  - Focus: Specific niche or section
- **Miles and Snow**
  - Prospector (startups and uncertainty)
  - Defender (narrow, limited area of operations)
  - Analyser (one stable, one changing product, e.g. Microsoft)
  - Reactor (don't react to changes in environment)

## 5. Strategy implementation

- Cost reduction
- Innovation
- Quality enhancement (work force needs and HR implications)

## 6. Strategy evaluation

- **Incrementalism**: modest and gradual tweaks and adjustments via experience
- **Emergent strategies**: via low level managers and work situations

### 9.4 Influence of Managers

- **Omnipotent view**: managers **directly responsible** for success or failure
  - Are **accountable for performance**
- **Symbolic view**: failure is **due to external forces** out of manager's control
  - E.g. policies, conditions and previous managers

# International Business

Topic 10 • KC Notes

## 10.1 Globalisation of Business

- Developed infrastructure, reduced trade barriers, opened global market windows, greater competition

## 10.2 Attitudes of IB

- **Parochialism**: narrow view of the world with lack of recognition of alternate ways of living and working
- **Ethnocentrism**: best work approaches and practices are those of the **home country**
  - Home country: country in which firm is **established**
- **Polycentrism**: best work approaches and practices are those of the **host country**
  - Host country: country in which firm has **expanded to**
- **Geocentrism**: a world-orientated view, best work approaches and practices from people around the globe

## 10.3 Trade Agreements

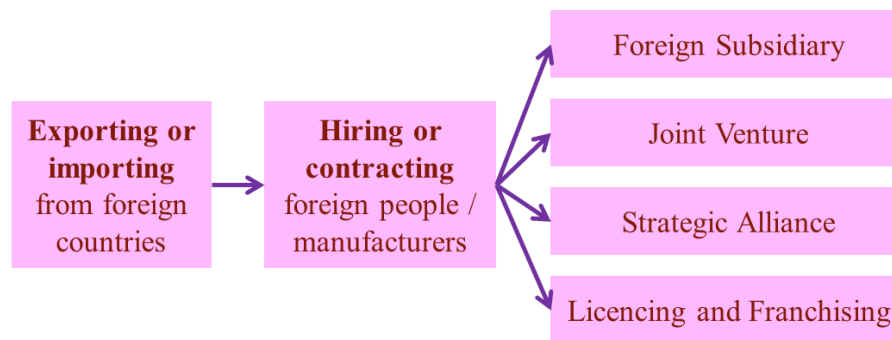
- **Bilateral**: between two parties/countries
  - Australian Bilateral free trade agreements
  - Aust-NZ Closer Economic Relations Agreement
  - Also with US
- **Multilateral**: between multiple parties/countries
- **Regional**:
  - Americas
    - NAFTA: North America Free Trade Agreement
    - Southern Common Market (Mercosur)
    - Free Trade Area of the Americas
  - European Union
    - A unified economic and trading entity
    - Economic and Monetary Union (Euro)
  - Africa: African Union
  - Asia: Association of Southeast Asian Nations (ASEAN)
- **World**: World Trade Organisation (WTO) with 151 countries

## 10.4 Types of International Organisations

- **Multinational corporation** (MNC): all types of companies that **operate in multiple countries**
- **Multidomestic**: MNC that decentralises management to **local country** (polycentric)
- **Global**: MNC that centralises management in the **home country** (ethnocentric)
- **Transnational/bordeless** (TNCs): MNC that has eliminated geographical barriers, uses work practices and approaches from wherever (geocentric)
- **Born Global**: New international ventures committing to doing business in several countries

## 10.5 Going Global

### 10.5.1 MODEL OF BECOMING GLOBALISED



- **Foreign Subsidiary**: directly investing by setting up a separate independent facility or office
  - **Green-field investment** (building new) or **acquisition** (existing)
- **Joint Venture**: Business agreement where two parties agree to develop new entities and assets
  - Reason: risk sharing, economies of scale, market access, geographical and funding constraints, acquisition barriers
- **Strategic Alliance**: Partnership between **organisation and foreign partner**
  - Share resources and knowledge for development and building facilities
- **International Licencing and Franchising**
  - **Licencing**: giving the **right to make or sell products** using own technology or specs
  - **Franchising**: giving **right to use name and branding**
- Australia and NZ: different to conventional model
  - Smaller domestic markets
  - Geographically distant foreign markets
  - Less tradeable products

## 10.5.2 RELEVANCE TO ENVIRONMENT

- **Legal/Political environment:** stability of systems, following legal procedures
  - Affects business activities and delivery of products and services
- **Economic environment:** type of system, currency exchange inflation and tax rates

## 10.6 Cultural dimensions in IB

- **Cultural dimensions:** psychological dimensions used to describe a specific culture
- **Hofstede (5 Cultural Dimensions Framework)**
  - Individualism vs collectivism (taking care of self/others)
  - Power distance (respect of authority)
  - Uncertainty avoidance (acceptance of risk)
  - Achievement vs nurturing (quantity vs quality of life)
  - Time orientation (valuing historical past)
- **GLOBE (Global Leadership and Organisational Behaviour Effectiveness) Framework**
  - Power distance
  - Uncertainty avoidance
  - Assertiveness
  - Humane orientation
  - Future orientation
  - Institutional collectivism
  - Gender differentiation
  - In-group collectivism
  - Performance orientation

## 10.7 International adjustment

- Pre-assignment
  - **Individual** training, experience and expectations
  - **Organisational** selection criteria and support systems
- In-country Adjustment
  - **Individual factors** and non-work factors, e.g. family
  - **Organisation factors** like job, socialisation and culture
  - **Contribution** to adjustment, e.g. work, interaction and general adjustments

# Corporate Social Responsibility

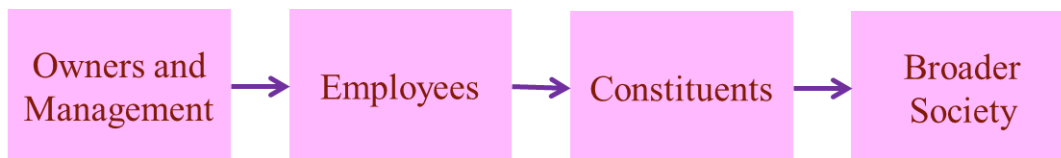
Topic 11 • KC Notes

## 11.1 Definitions of Social Involvement

- **Social Obstruction**: denying obligations, e.g. cigarettes and health risk
- **Social Obligation**: has an obligation to meet responsibilities
- **Social Responsibility**: goes beyond law and economics for good of society
- **Social Contribution**: far more, e.g. zero emissions

## 11.2 History of CSR

- **Classical**: maximising profits, only responsible to shareholders
- **Socioeconomic/sustainable**: beyond making profits
  - Protecting and improving social welfare
  - 4 Stages of CSR, from least to greatest responsibility (left to right)



## 11.3 Why by ethical?

- **For**
  - Public expectations and image
  - Ethical obligation and discourages government regulation
  - Environmentally aware
  - Long-run profits
- **Against**
  - Violation of profit maximisation, costs
  - Dilution of purpose
  - Lack of skills and accountability
- General conclusion: CSR may not help but **does not hurt or harm long-term performance**

## 11.4 Values-based management

- **Values-based**: managers establish and uphold shared values
  - Ultimately reflected in the decisions made by employees

## 11.5 Managerial Ethics

- Three views:
  - **Utilitarian**: about **outcomes** – doing greatest good for the greatest number
  - **Rights**: protecting and respecting individual rights
  - **Theory of justice**: seeking a fair and impartial position
    - Procedural, Outcome distributive and interactional/interpersonal
- **Moral Development stages**
  - **Principled**: following self-chosen and possibly illegal principles
  - **Conventional**: fulfilling obligations while maintaining conventional order
  - **Preconventional**: Sticking to rules only due to immediate interest or avoiding punishment
- Issue intensity **factors**:
  - Concentration of effect
  - Consensus of wrong
  - Probability of harm
  - Immediacy of consequences
  - Proximity to victim
  - Magnitude of consequences