

Chapter 1 - Strategic Management Essentials

Overview

Chapter 1 introduces the basic terms in strategic management. This chapter presents the comprehensive model for strategic planning that appears in each subsequent chapter and provides a unifying, logical flow for the entire textbook. This chapter describes the benefits of doing strategic planning, the drawbacks of not doing strategic planning, and the pitfalls of doing strategic planning incorrectly.

Learning Objectives:

1. Discuss the nature and role of a chief strategy officer (CSO).
2. Describe the strategic-management process.
3. Explain the need for integrating analysis and intuition in strategic management.
4. Define and give examples of key terms in strategic management.
5. Discuss the nature of strategy formulation, implementation, and evaluation activities.
6. Describe the benefits of good strategic management.
7. Discuss the relevance of Sun Tzu's *The Art of War* to strategic management.
8. Discuss how a firm may achieve sustained competitive advantage.

Teaching Tips

1. Spend about 40 minutes going over the comprehensive strategic management model in Figure 1-1, highlighting each component part with examples. This is the best way to cover the terms introduced in the chapter. Pull up the new and improved author website for this textbook, because it has great resources for students. The URL is www.strategyclub.com
2. The Edward Deming quote mentioned in Chapter 1 (In God We Trust, All Others Bring the Data) is vitally important in this course, because students tend to use vague terms throughout their case analysis. Vagueness is detrimental to development of any strategic plan. Therefore, highlight and emphasize the relevance and importance of the Deming quote and tell students that vagueness is disastrous in this course. Strategies must be formulated to the extent possible on factual, specific, underlying key internal and external factors, rather than trying to formulate strategies based on general statements, opinion, or intuition.
3. Highlight Figure 1-2 on “the benefits of doing strategic planning.” Use that exhibit to emphasize the many benefits of doing strategic planning, as well as the drawbacks of not doing strategic planning.

4. Ask students to raise their hand if they played football, basketball, or soccer for the college/university. Ask several of those athletes to “tell the class how important having a good game plan is to the success of an athletic team.” Associate their answers to the importance of a business having a good game plan, i.e., strategic plan.
5. Regarding the “Comparing Business and Military Strategy” section, emphasize to students that there are countless examples in military history where a superior army was defeated by a smaller army that had a better strategic plan. The famous general, Alexander the Great, who never lost a battle, said (paraphrased): “I’d rather face an army of lions led by a sheep, than an army of sheep led by a lion.” That quote emphasizes the importance of strategic planning, and having an excellent strategist.
6. All 45 end-of-chapter review questions are excellent to go over in class. Sometimes in class, the authors will assign every student a question and give the class 10 minutes to develop answers and then let each student give the class the answer, and then comment on the answer (answers to all questions are given later in this manual). This is a great way to promote teacher/student interaction.
7. Ask students to read the Adidas Group Cohesion Case presented after Chapter 1 because a third of all the end-of-chapter exercises apply chapter concepts to the Adidas Group case – thus preparing students for developing a case analysis on their assigned company. Divide students into 3 or 4 person teams within the first two weeks of class and assign to them one of the 26 cases in the book, and schedule a day for the teams to each give a 20 minute oral presentation revealing their recommended three-year strategic plan for the firm. The authors and most professors using this book use this approach.
8. It is important to spend some class time also on Exercise 1B that applies the strategic management process to the Adidas Group Cohesion Case. Make sure students understand the basic strategic planning process as applied to Adidas Group and revealed in that exercise. Associated exercises at the end of other chapters utilize the information obtained from Exercise 1B and collectively help prepare students for performing case analysis on their assigned company.
9. Read the “Special Note to Students” at the end of this chapter and explain its importance to students.
10. Skip over to the last three pages in book (before the cases start) and go through that basic timeline/outline for a strategic management case analysis – so students will know what is expected of them in terms of preparing their case analysis/project for the course. Refer to these three pages often in the course.

Answers to End-of-Chapter Review Questions

1. Singapore Airlines has done very well in 2013. Briefly explain whether this strategy will be just as effective going forward.

Answer: Singapore Airlines has achieved competitive advantage through the formulation and implementation of effective strategies. The company has effectively pursued diversification through the combination of its long-haul airlines (Singapore Airlines) and short-haul regional businesses (Silk Air). With its extensive reach, its reputation for service excellence, and fleet of technologically advanced aircraft it also beats its competitors by offering a unique value proposition to its customers. Its competitive advantage is indicated in its having been ranked as the 31st most admired company in the world (outside of the United States) as well as across-the-board improvements in load factors in a fiercely competitive industry. However, having achieved competitive advantage today is no guarantee of sustaining competitive advantage tomorrow. The effectiveness of its current strategies will depend on the top management team's capacity to adapt the organization to emerging trends in the external environment better than will its rivals!

2. Does Singapore Airlines have its strategic plan posted on its website? Should the company do so? Why or why not?

Answer: The Singapore Airlines strategic plan is not found on the company's website. Effectively formulated and implemented strategic plans are critical components of a company's competitive advantage. Sustaining that advantage requires the use barriers to imitation in order to prevent rivals from identifying and imitating the underlying drivers of such competitive advantage. One such barrier is the use of ambiguity by ensuring that strategic plans remain secret.

3. Compare and contrast the activities involved in strategy formulation versus strategy implementation.

Answer: Strategy formulation includes developing a vision and mission, identifying an organization's external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing particular strategies to pursue. This is in great contrast with strategy implementations which includes developing a strategy-supportive culture, creating an effective organizational structure, redirecting marketing efforts, preparing budgets, developing and utilizing information systems, and linking employee compensation to organizational performance.

4. Given the political and economic collapse of various Middle Eastern and European countries, identify a list of companies for which gaining and sustaining competitive advantage has permanently changed.

Answer: The Middle East and North Africa (MENA) region has experienced a significant amount of political and economic upheaval in recent years. That upheaval has led to the

emergence of both opportunities and threats in the external environment. The region has experienced political upheaval in Egypt, a protracted internal conflict in Syria, and an adversarial between Western nations. And new opportunities have emerged in vibrant emerging economies in the United Arab Emirates and Qatar. Given these potentially disruptive changes what it takes to gain and sustain competitive advantage has changed irrevocably. The following is a list of companies in which strategists find themselves diligently working to navigate the changing political-economic landscape:

Company Name	Country	Sector
Saudi Aramco	Saudi Arabia	Petrochemicals
Al-Rajhi Bank & Investment Company	Saudi Arabia	Financial services
Industries Qatar	Qatar	Industry
Qatar National Bank	Qatar	Financial services
Etisalat	United Arab Emirates	Telecoms
Saudi Telecom Company	Saudi Arabia	Telecoms
Kingdom Holding Company	Saudi Arabia	Financial services
National Bank of Kuwait	Kuwait	Financial services
Etihad Etisalat Company (Mobily)	Saudi Arabia	Telecoms
Saudi Electricity Company	Saudi Arabia	Utilities

5. There is a dramatic shift in mass retailing to become smaller. Give four reasons for this phenomena. Give four corporate examples of this.

Answer: Four reasons for this phenomenon are:

- The increasing use of the internet – on line social networking sites such as Facebook, Myspace
- Change of consumer habits – consumers today are flocking to blogs, short-post forums such as Twitter, YouTube
- On line sales can boost in-store sales in the use of on line to promote in-store promotion
- On a political map, the boundaries between countries have largely disappeared.

6. Avoid being merely descriptive in your written or oral case analysis; rather, be prescriptive, insightful, and forward-looking throughout your project. Discuss the meaning of this sentence.

Answer: Do not just describe the project you will be writing but analyze the points and examine the factors affecting the rapidly changing environment.

7. Explain what Dale McConkey means when he says “plans are less important than planning” in the opening- chapter quotes.

Answer: Plans are the result of planning, hence if there is no planning, plans will not be developed.

8. In terms of developing a strategic plan, what does Edward Deming mean when he says “In God we trust. All others bring data.”

Answer: The strategic management process attempts to organize qualitative and quantitative information in a way that allows effective decisions to be made under uncertainty conditions which come from other people. In such uncertainty data we have to trust God that we make a correct decision.

9. Strategy formulation, implementation, and evaluation activities occur at what three hierarchical levels in a large organization?

Answer: Strategic management process consists of three stages: Corporate, divisional or strategic business unit and functional.

10. What was Einstein’s rationale for saying “Imagination is more important than knowledge”? Do you agree with Einstein? Why or why not?

Answer: Yes, I agree with Einstein because to be a market leader one must have competitive advantages which are derived from imagination while knowledge is common to all people and hence do not have any competitive advantages.

11. What does Drucker mean when he says “I believe in intuition only if you discipline it”? Do you agree with Drucker? Why or why not?

Answer: Yes I agree with Drucker because the fast rate of change today is producing a business world in which customary managerial habits are not adequate. In the past, where changes were not rapid and small changes, experience alone was an adequate guide. However, when there are strategic decisions which affect major irrevocable consequences, intuitive and experience-based management philosophies; without discipline, are greatly inadequate.

12. Strategic management is all about gaining and maintaining competitive advantage. Explain and give three examples.

Answer: Strategic management focuses on integrating management, marketing, finance/accounting, production/operations, research and development, and information systems to achieve success. Three examples are:

- Strategy formulation
- Strategy implementation
- Strategy evaluation

13. Based on the definition of strategists in Chapter 1, identify the top five strategists that you have ever personally spoken to and interacted with.

Answer: Students’ answers will vary, depending on their contacts.

14. For your college or university, would collapse of the euro currency be a major threat or opportunity? Why? What is the probability in your view of such a collapse?

Answer: Students' answers will vary.

15. Strategic management is not a panacea for success. It can be dysfunctional if conducted haphazardly. Give five examples of potential “haphazard” aspects of the planning process.

Answer: The five examples are:

- Failure to involve key employees in all phases of planning
- Failing to create a collaborative climate supportive of change
- Becoming too engrossed in current problems resulting in insufficient or no planning
- Being too formal in planning so that flexibility and creativity are stifled
- Doing strategic planning only to meet accreditation or regulatory requirements

16. Explain why an important guideline for effective strategic management is open-mindedness.

Answer: Open mindedness create a corporate culture which promotes collaborative climate supportive of change. This climate prompts employees to give their ideas etc and does not stifled creativity.

17. Explain how and why firms are today using social networking sites to gain competitive advantage.

Answer: The internet has changed the way people organize our lives; inhabit our homes, and relate to and interact with family, friends, neighbors, and even ourselves. Consumers today are flocking to blogs, short-post forums such as Twitter, YouTube and social networking sites such as Facebook, Myspace instead of traditional communication means such as television, radio, newspapers and magazines.

18. Compare and contrast vision versus mission statements.

Answer: A vision statement identifies what the company aims to be and acts as a source of inspiration. This will help in decision-making for the future. Mission statements are statements of purpose that distinguish one business from other similar firms by identifying the scope of a firm's operations in product and market terms.

19. In your opinion, identify the top 10 external factors affecting your university. Rank your top 10 with one being most important.

Answer: Student answers may vary.

20. In order of importance, rank the top six benefits of a firm engaging in strategic management.

Answer: Student answers may vary and should draw from the section entitled “Benefits to a Firm That Does Strategic Planning”.

1. Financial benefit – it generates more revenue for the firm.
2. It allows major decisions to better support established objectives.
3. It allows identification, prioritization, and exploitation of opportunities.
4. It provides an objective view of management problems.
5. It represents a framework for improved coordination and control of activities.
6. It minimizes the effects of adverse conditions and changes.

21. In order of importance, rank the top six reasons that many firms do no strategic planning.

Answer: The top 6 reasons are:

- Lack of knowledge or experience in strategic planning
- Poor reward structure
- Firefighting
- Waste of time
- Too expensive
- Laziness

22. In order of importance, rank the top six guidelines to follow in conducting strategic management activities.

Answer: The top 6 guide lines are:

- Should be a people process more than a paper process
- Should be learning process for all managers and employees
- Should be words supported by numbers and not numbers supported by words
- Should be simple and non routine
- Should vary assignments, team memberships, meeting formats, and planning calendar
- Should challenge assumptions underlying current corporate strategy

23. Discuss how relevant you think Sun Tzu’s *Art of War* writings are for firms today in developing and carrying out a strategic plan.

Answer: Sun Tzu’s *Art of War* writings are still relevant in the following areas:

- Speedy victory – similar in a war situation; launching a marketing plan should be fast so that competitors would have little time and readiness to respond.
- Know your enemy and yourself – in a strategic plan, SWOT analysis is extremely important, so that we know what are our competitive advantages as well as the weaknesses of our competitors.
- Be the first is imperative in today’s strategic plan – a market leader.

- Lastly like Sun Tzu's Art of War writings, creativity is extremely relevant in developing and carrying out a strategic plan.

24. Determine the ways and means that your college or university does strategic planning and report on these efforts to your class.

Answer: Student answers will vary.

- The college looks at their position in the market – mission statement.
- Then they look at where they want to go and in which direction i.e. the short, medium and long term objectives.
- Finally, how are they achieving where they want to go – strategies

25. Go to the www.strategyclub.com website and describe the strategic planning products offered.

Answer: The SMCO website provides links to websites with information useful for case analysis such as corporate websites, business analysis services, news sites, magazines, governmental sites, and financial ratio analyses. It also provides links to job search websites, graduate school websites, and websites related to strategic planning. Several software packages are available for purchase on the site including a template for generating the matrices required for case analyses.

26. Compare and contrast the extent that strategic-planning concepts are used by companies in your country versus companies in the United States?

Answer: Student answers will vary. For example, companies in Singapore generally fall into two groups: subsidiary of multinational companies or domestic companies. The former follows strategies set by their parent company while the latter practice some forms of strategic planning although perhaps not as much as their counterparts. Domestic companies are looking at stabilizing their business, generating enough profits before they embark on overseas expansions. Furthermore, domestic companies do take a more reactive rather than a proactive approach.

27. Would strategy formulation or strategy implementation concepts differ more across countries? Why?

Answer: These concepts differ across countries. The internal and external factors differ – such as company resources, government / political regulations; different cultural factors; technological advances. These factors impact upon strategy formulation or strategy implementation.

28. Compare strategic planning with long range planning.

Answer: Long-range planning is used to optimize for tomorrow the trends of today, whereas strategic planning is used to exploit and create new and different opportunities for tomorrow.

29. What are the three activities that comprise strategy evaluation? Why is strategy evaluation important even for successful firms?

Answer: Strategy evaluation consists of: Suitability, Feasibility and Acceptability. Suitability deals with the overall idea of strategy and how it addresses the organization's strategic position. Feasibility is concerned with whether the company has sufficient resources to carry out the strategy. Acceptability is concerned with the major stakeholders of the company. Strategy evaluation is always important (even for successful firms) so they can check that the company is on the right track in terms of strategic management as well as fully maximizing the use of the resources they have invested in. Also, strategy evaluation will assure major stakeholders of the company that the various business strategies are for more future successes for the company.

30. Explain how a firm can achieve sustained competitive advantage.

Answer: A firm can achieve sustained competitive advantage by constantly analyzing its competitors' business strategies as well as updating PEST (Political, Economical, Social, and Technological) analysis. The firm should continue studying the evolving trends within as well as out of the country. The firm should also constantly conduct a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis to be able to come up with better strategies.

31. Identify and give an overview of three social networking sites that firms are using to gain competitive advantage.

Answer: In Singapore, the three most popular social networking sites used are: Friendster, Facebook and MySpace. These networking sites allow users to upload their profiles, interests, photos and videos and share them with other contacts and friends. The websites are also used for dating, and discovering new bands, events and hobbies. For example, Starbucks Singapore has a fan-page on Facebook with a total of 60,000 members. They constantly update the page with new events, promotions and products. These updates are then reflected on the "status feeds" of those who subscribed to the fan page.

32. List four strategists whom you know personally. Rank them on their effectiveness as a leader in their Organization.

Answer:

Mr. Khalid A. Al-Falih is the President and Chief Executive Officer of Saudi Aramco, the world's largest energy company.

Sir Tim Clark is the President of Emirates Airlines. Mr. Clark joined emirates in 1985 and has been instrumental in transforming the airline from a one-route carrier to the world's largest airline in terms of passenger miles flown.

Mr. James Hogan is President and CEO of Etihad Airways, the national airline of the United Arab Emirates. Mr. Hogan joined Etihad in 2006 and has overseen the company's explosive growth and internationalization.

Mr. Mohammed Sharaf is the Chief Executive Officer of Dubai Ports (DP) World. Mr. Sharaf has overseen the growth of DP World into a highly competitive business with operations in over 30 countries.

33. List six characteristics of objectives and give an example of each.

Answer:

- State direction: Example: Our sales target for year 2011 is to achieve \$4 million of new business
- Aid in evaluation: Example: We must build this new home in 2 years
- Create Synergy: Example: In order to achieve \$4 million of new business, we need Production to increase production capacity, Sales to look for new markets; Procurement to source for low priced but good quality raw materials. Everyone has to work together to make it a success.
- Reveal Priorities: Example: There are two objectives: to increase Sales by 10% this year or to reduce number of staffs?
- Motivating: Example: If we achieve our \$10 million sales, everyone will get 10% salary increase.
- Controlling activities: Example: We shall meet every Monday to know the progress of our Sales and to take corrective actions.

34. Conduct Internet research to determine what percentage of persons in your country smoke. What is the implication of this for firms in your country?

Answer: The basic principles of research methodology must be utilized: research objectives, principles of questionnaires being asked, sample size, population size, data analysis and interpretation etc.

If your country has a high population of smokers, consider the following: smoking can be quite sociable and many people often smoke when they go out to bars and restaurants. This will then have an impact on the food and beverage industry. Another example is that smokers often buy mints or gum and this will have an impact on the confectionary industry.

35. List four financial and four nonfinancial benefits of a firm engaging in strategic planning.

Answer: Businesses engaging in strategic planning experience the following financial benefits. They show significant improvement in sales, profitability, and productivity compared to firms without strategic planning activities. Firms using strategic planning generally exhibit superior long-term financial performance relative to their industry and seem to make more informed decisions with good anticipation of both short and long-

term consequences. They are also prepared for fluctuations in their external and internal environments. In addition to the financial benefits, firms using strategic planning also experience nonfinancial benefits. These include an enhanced awareness of external threats, an improved understanding of competitors' strategies, increased employee productivity, reduced resistance to change, and a clearer understanding of performance-reward relationships.

36. Compare business strategy and military strategy.

Answer: Business and military strategy are similar in many respects. Many of the ideas developed in business strategy were first formulated as military strategy. Both military and business organizations have competitors. A fundamental difference between military and business strategy is that business strategy is formulated, implemented, and evaluated with the assumption of competition, while military strategy is based on an assumption of conflict.

37. Strategic planning should be more a people process than a paper process. Explain.

Answer: Strategic planning requires people to give inputs and for them to manage the process, it is not just paperwork.

38. Strategic planning should not be controlled by technicians. Explain.

Answer: Strategic planning should not be controlled by technicians because they are so formal in planning that flexibility and creativity are stifled.

39. According to Sun Tzu, warfare is based on deception. Should strategic planning be based on deception? Explain.

Answer: Strategic planning should not be based on deception because companies look at long term growth not just short term goal. In addition, companies have to be answerable to its stakeholders, as well as its shareholders.

40. Sun Tzu says “Generally, in war the best policy is to take a state intact; to ruin it is inferior to this.” Explain. Is this true in corporate strategic planning? Explain.

Answer: It means that if we could conquer the enemies without much warfare, both sides will not suffer many casualties, and not overly used of resources as no organization has unlimited resources etc. This is true in corporate planning because no organization has unlimited resources, strategists must decide which alternative strategies will benefit the firm most.

41. What is Singapore Airlines' competitive advantage? How can this advantage be sustained?

Answer: Singapore's competitive advantage lies in its capacity to execute on a value proposition that results in a reputation for excellence in the consistent delivery of high quality service to customers in need of access to frequent, efficient, and reliable international/long-haul transport. Competitive advantage may be sustained by ensuring that competitive strategies continue to reflect the emerging reality of evolving needs of customers and the changing dimensions of competition (e.g. price competition, the incorporation of technologically advanced aircraft, and a range of differentiated in-flight services).

42. Are there any compelling reasons why the external audit and internal audit should not be conducted simultaneously?

Answer: There are no compelling reasons why the external audit and internal audit should not be conducted simultaneously.

43. Which stage of strategic management do you feel is most important? Why?

Answer: Strategic management process consists of 3 stages:

- Strategy formulation
- Strategy implementation
- Strategy evaluation

Each state is equally important as they are interdependent of each other.

44. Should strategic planning be more open or closed, (i.e. hidden or transparent)? Why?

Answer: Strategic planning process should be more open because of the pitfalls in strategic planning is failing to communicate the plan to employee, who continues working in the dark.

45. Discuss the extent to which strategic planning concepts would be applicable to individuals managing their own lives.

Answer: Strategic planning concepts to a large extent is applicable to individuals managing their own lives for example, as managers amass experience, they may rely less on formalized planning, a result of overconfidence; or when a person has achieved status, privilege, or self-esteem, he/she often sees a new plan as a threat.

Answers to the End-of-Chapter Assurance of Learning Exercises

ASSURANCE OF LEARNING EXERCISE 1A: ASSESS SINGAPORE AIRLINE'S MOST RECENT QUARTERLY PERFORMANCE DATA

Purpose

This exercise gives you practice examining the progress a firm is making in executing its strategic plan. Singapore Airlines utilizes excellent strategic management as showcased at the beginning of Chapter 1.

Instructions

Step 1: Go to Singapore Airlines' website. Click on About Us and then Investor Relations.

Step 2: Review Singapore Airlines' most recent quarterly report.

Step 3: Examine the change in performance variables for that most recent quarter versus the prior year-over-year quarter.

Step 4: What strategic changes were made during that quarter? What additional changes in your view are still needed? How is the company doing? What are key problem areas?

ASSURANCE OF LEARNING EXERCISE 1B: GATHERING STRATEGY INFORMATION ON ADIDAS AG

Purpose

The purpose of this exercise is to get you familiar with strategy terms introduced and defined in Chapter 1. Let's apply these terms to the Cohesion Case on adidas AG.

Instructions

Step 1: Go to the adidas corporate website. Click on Investors and then Financial Reports. Download the most recent *Annual Report*. This document may be quite long, so you may want to copy the document electronically. The *Annual Report* contains excellent information for developing a list of internal strengths and weaknesses for adidas.

Step 2: Go to your college library and make a copy of *Standard & Poor's* Industry Surveys for the athletic footwear and apparel industry. This document will contain excellent information for developing a list of external opportunities and threats facing adidas.

Step 3: Go on the Internet and find and print information about adidas's three major competitors: Nike, Puma, and Callaway Golf.

Step 4: Using the information gathered above, on a separate sheet of paper, list what you consider to be adidas's three major strengths, three major weaknesses, three major opportunities, and three major threats. Each factor listed for this exercise must include a %, #, \$, or ratio to reveal some quantified fact or trend. These factors provide the

underlying basis for a strategic plan, because a firm strives to take advantage of strengths, improve weaknesses, avoid threats, and capitalize on opportunities. Estimate the #'s as needed.

Step 5: Through class discussion, compare your lists of external and internal factors to those developed by other students and add to your lists of factors. Keep this information for use in later exercises at the end of other chapters.

Step 6: Be mindful that whatever case company is assigned to you and/or your team of students this semester, you can start to update the information on your company by following the steps listed for any publicly held firm.

Teaching Notes

Students should show their understanding of SWOT analysis - the key aspect of strategic management.

In SWOT analysis students are expected to analyze the Strengths, Weaknesses, Opportunities and Threats for internal and external factors.

The company's financial resources, human resources and technological resources, and physical infrastructure comprise of the internal factors.

External factors consist of Political, Economic, Social, Technology, Legal, and the Environment (competitors, suppliers) – "PESTLE".

ASSURANCE OF LEARNING EXERCISE 1C: GETTING FAMILIAR WITH THE FREE EXCEL STUDENT TEMPLATE

Purpose

This exercise is designed to help strategic management students become familiar with the free Excel student template for the case analysis offered by the authors.

Instructions

Step 1: Go to the Strategy Club's website. Download the free Excel student template.

Step 2: Write a one-page summary summarizing the template and explaining why how the template will benefit you the most in this course.

ASSURANCE OF LEARNING EXERCISE 1D: EVALUATING AN ORAL STUDENT PRESENTATION

Purpose

Quite often in a strategic management course, a team of students is required to give a 15 to 25 minute case analysis oral presentation. This exercise gives you insight on some do's and don'ts regarding oral presentations.

Instructions

Step 1 Go to Strategy Club’s website and watch the student case analysis presentation given there. Critique the presentation. What are four aspects that you liked most and four aspects that you liked least?

ASSURANCE OF LEARNING EXERCISE 1E: STRATEGIC PLANNING AT NESTLÉ

Purpose

The purpose of this exercise is to give you experience investigating the strategic plan of large, publicly held firms such as Nestlé SA. An important aspect of formulating a strategic plan is to assess the strategic plans of rival firms. For this exercise, you are on the top management team of M&M Mars, a large chocolate company that competes with Nestlé in the confectionery business worldwide.

Instructions

Step 1: Go to Nestlé’s website and review the company’s recent *Annual Report*. List as clearly as you can the five major strategies that Nestlé is pursuing worldwide.

Step 2: Go to M&M Mars’s website and determine as best you can what the privately held firm is doing worldwide to compete with Nestlé.

Step 3: Write a one-page paper that summarizes your assessment of Nestlé’s strategic plan as compared to M&M Mars’s strategic plan. Include whether you feel being privately held, as M&M Mars is, enables a firm to conceal its strategic plan from rival firms. Do you feel it is advantageous to keep strategies secret from shareholders, employees, creditors, suppliers, and other stakeholders? What would be the advantages of being publicly held?

Teaching Notes

Refer to page 52, Table 1-2 “Seventeen Guidelines for the Strategic Planning Process to be Effective,” provides the students with the following points:

- People process more than paper process
- Learning process for all managers and employees
- Words supported by numbers rather than numbers supported by words
- Simple and nonroutine
- Vary assignments, team memberships, meeting formats, planning calendar
- Challenge the assumptions underlying current corporate strategy
- Welcome bad news
- Open-mindedness and spirit of inquiry and learning
- Not be a bureaucratic mechanism
- Not become ritualistic, stilted or orchestrated
- Not to be too formal, predictable or rigid

- Not contain jargon or arcane planning language
- Not be a formal system of control
- Not disregard qualitative information
- Not be controlled by “technician”
- Not pursue too many strategies at once
- Continually strengthen the “good ethics is good business” policy

ASSURANCE OF LEARNING EXERCISE 1F: INTERVIEWING LOCAL STRATEGISTS

Purpose

This exercise is designed to give you experience learning first hand how strategists in your city/town formulate and implement strategies. This information can be used to compare and contrast concepts presented in this textbook with practices of local strategists. Recall that strategists include owners of businesses, directors of nonprofit organizations, top managers of large firms, CEOs, presidents, and many others.

Instructions

Visit five strategists in your city. Interview them, asking the following questions. Prepare answers and report back to your professor.

1. How do you decide which strategies to implement in this organization?
2. How often do you change strategies or take a fresh look at existing strategies?
3. How many persons assist you in formulating strategies?
4. Does your organization have written mission, vision, and objective statements?
5. Is the strategic planning process in your company more secret or open in regard to process and procedure? Which approach do you feel is best? Why?

Teaching Notes

Students’ answer will vary, depending on the interviews they have with their local strategists and what they practice. Students should use the above guidelines when they answer the other questions.