STRATEGIC MANAGEMENT

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Motto 1:

- “I never lose. I either win or learn.”

  Nelson Mandela

Motto 2:

- "When you talk, you are only repeating what you know; but when you listen, you learn something new."

Dalai Lama

1. Introductory notions on strategic management

- **1.1. Types of organizations**
- **The organization** – it's an entity formed by a group of individuals who interact and collaborate in order to obtain the desired result. For the proper functioning of the organization the individuals must have converging interests.

  By the form of the organization we have:

- Formal organizations – constituted legally and formally (according to clear laws)

- Informal organizations – they are not legally constituted

  According to the purpose of their establishment and how they work:

- Non-profit organizations – the associations and the foundations

- Economic organizations – trading companies

1. Introductory notions on strategic management

- **1.2. The resources of an organization:**

- Material resources
- Information resources
- Human Resources
- Financial resources
- Energy resources

Another unconventional resource of a company is “the goodwill” or the reputation on the market (Here we can talk about the company brand).

1. Introductory notions on strategic management

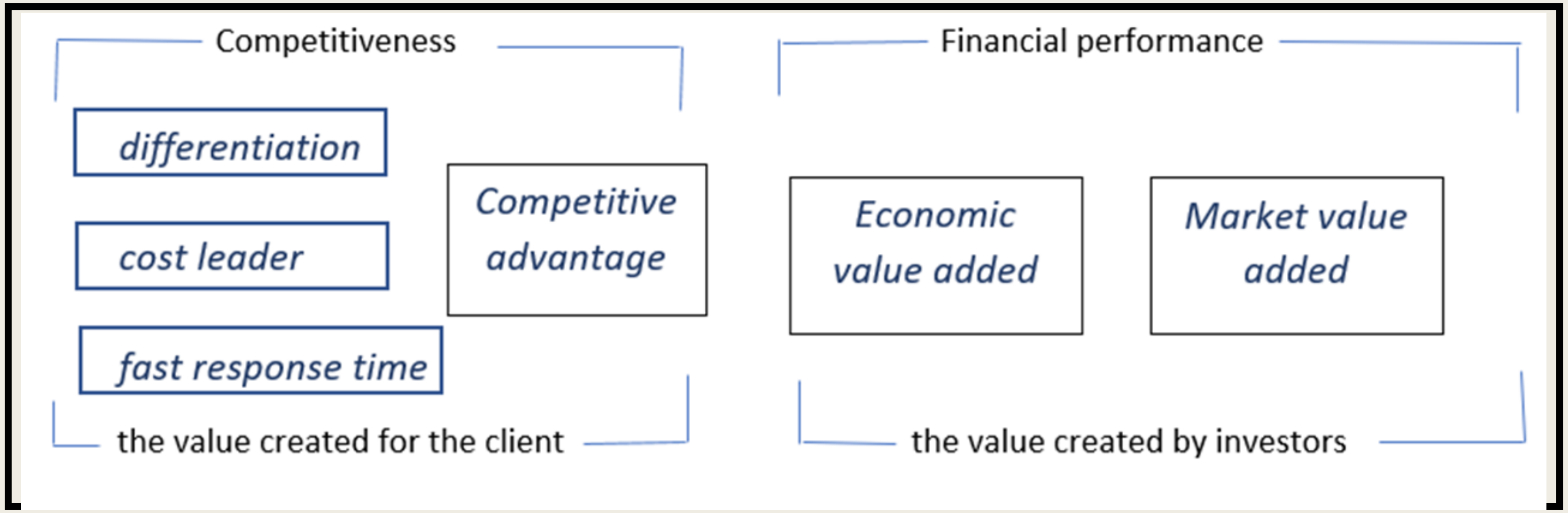
- **1.3. What is a strategy and what does the strategic management process mean?**

The strategy – an action plan which presents the direction of development of an organization.

The main point of a strategy is the competitive advantage of the organization over its direct competitors. The competitive advantages can be:

A – Differentiation – creating a range of products or services that will create great added value for consumers (innovative product, special after-sale services, strong brand and great image, technological innovation, reputation, manufacturing consistency, the symbol of social status).

1. Introductory notions on strategic management



- Fig. 1.1 The financial performance of the companies depending on their competitiveness

1. Introductory notions on strategic management

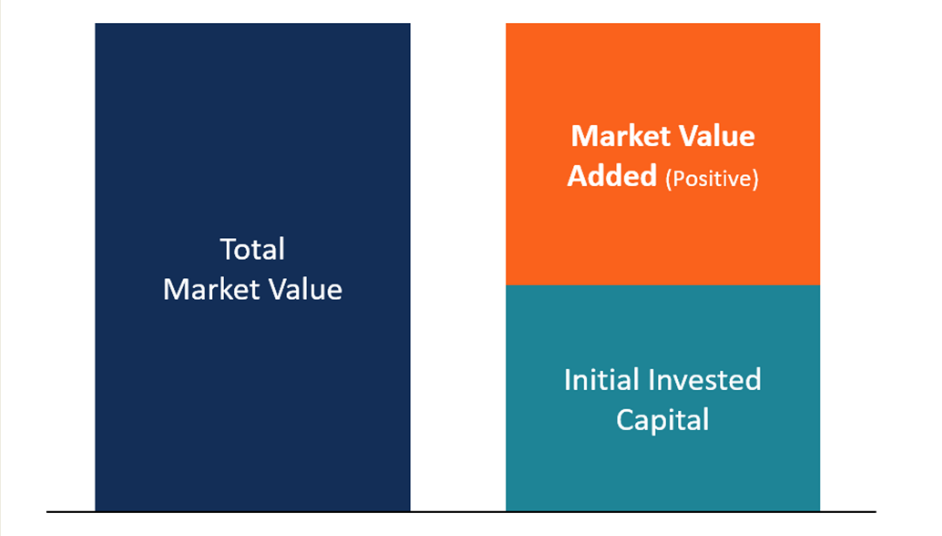
- **B – The cost leader –** a very low cost compared to the competition based on a high productivity and a research activity development focused on the improvement of the processes not of the products. Entering the market with standard products, without a strong differentiation but at a reduced price gives the company a remarkable competitive advantage.

- **C – Fast response time** – to offer the products in a shorter time than the competition.

Economic value added

- Economic value added (EVA) is a measure of a company's financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes on a cash basis.
- EVA is the incremental difference in the rate of return over a company's cost of capital. Essentially, it is used to measure the value a company generates from funds invested into it. If a company's EVA is negative, it means the company is not generating value from the funds invested into the business. Conversely, a positive EVA shows a company is producing value from the funds invested in it.

Market added value



Market value added (MVA) is the amount of wealth that a company is able to create for its stakeholders since its foundation. In simple terms, it’s the difference between the current market value of the company’s stock and the initial capital that was invested in the company by both bondholders and stockholders.

1. Introductory notions on strategic management

- <u>Strategic management</u> – it is the process based on a strategic thinking, through which the vision and mission of the organization is defined, the internal and external environment is analyzed, strategies are elaborated and implemented, in order to obtain a sustainable competitive advantage.
- **The strategic thinking is:**

- Dynamic and innovative thinking
- Nonlinear thinking
- Random/ probabilistic thinking
- Intelligent and creative thinking
- Positive thinking

1. Introductory notions on strategic management

- **1.4. The people involved in the strategy of an organization (stakeholders)**

- The owners/ shareholders
- The customers
- The employees
- The providers
- The local community
- Central and local administration
- Other categories (business associations, the citizens of the respective area, etc.)

1. Introductory notions on strategic management

- 1.5. The importance of strategy in creating value in a company

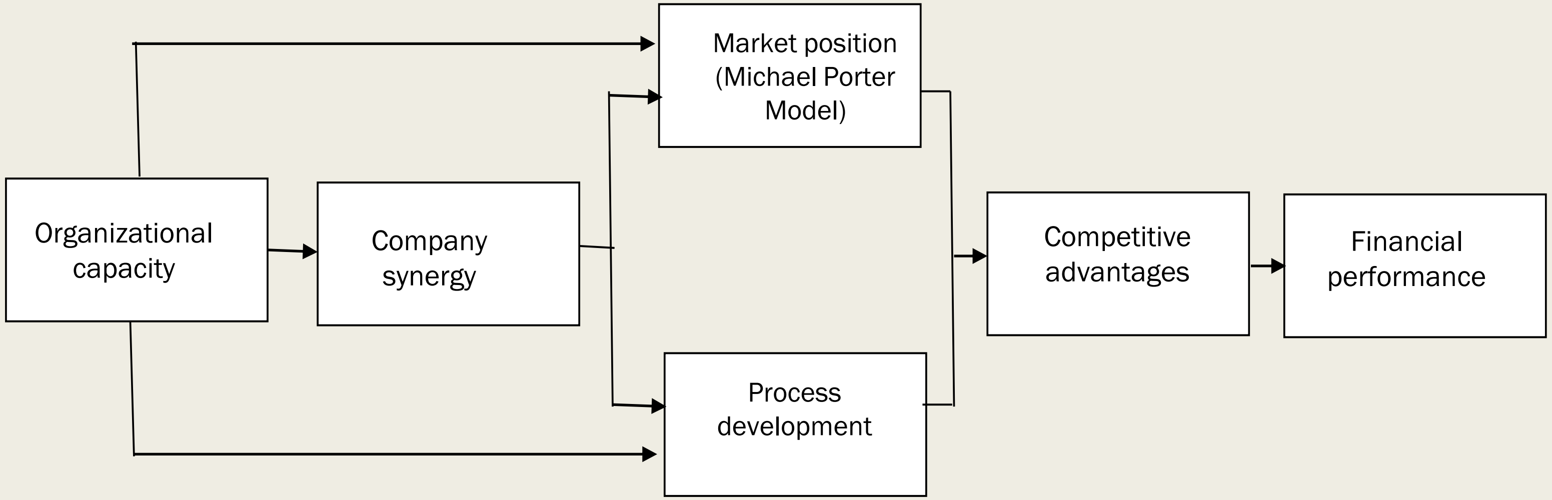


Fig. 1.2. The architecture of a strategy

1. Introductory notions on strategic management

- **Organizational capacity:**
- Leadership
- Company’s willingness to change
- Organizational learning and its role in the architecture of the organization

1. Introductory notions on strategic management

- **Company's synergy:**

- Basic competences of the company
- The power of the company (the position) on the market
- The resources it has
- The financial power of the company
- National/ international competitive advantages

1. Introductory notions on strategic management

- **Market position (Michael Porter model):**

- The existing competition
- Customers (the power of their negotiation)
- The providers (the power of their negotiation)
- The replacement products (substitution)
- The ease of entry to the reference market

1. Introductory notions on strategic management

- **The development of the processes**

- Development of product/ services
- The satisfaction of market requirements
- The execution of the received orders

1. Introductory notions on strategic management

- **The competitive advantage**

- Differentiation
- Cost leader
- Fast response time

1. Introductory notions on strategic management

- **Financial performance**

- Economic value added
- Profitability
- Increase
- Reducing the financial risks

2. Component elements of the strategy

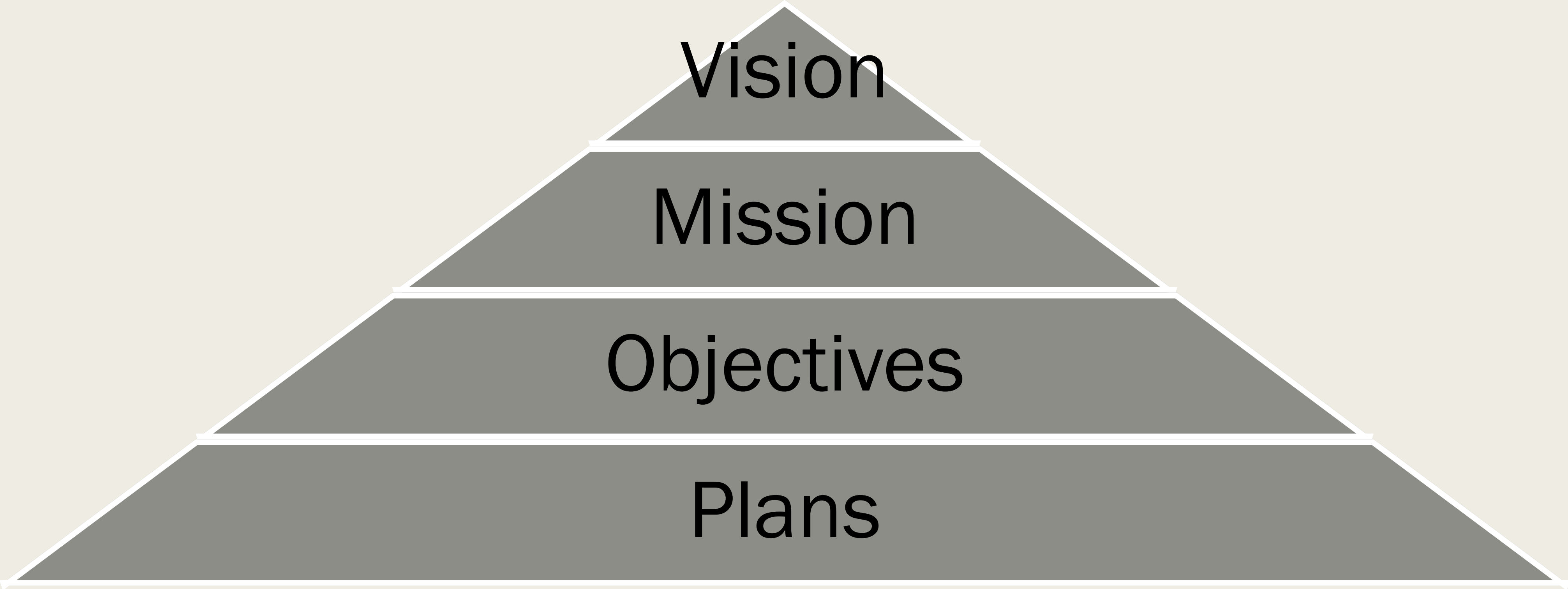


Fig. 2.1. Component elements of the strategy

2. Component elements of the strategy

- **The vision** – a statement of intent of what the company wants to become in the future (a picture designed in the future) being the first step in the strategic planning.
- **The mission** – identifies the purpose of the activities in terms of production and market. The mission of an organization represents the rationale of being and creating value for consumers and society as well as gaining a long-term competitive advantage.

  ***! The vision** focuses on the internal image of the organization, while the **mission** focuses on the external image of the organization.*

- **The strategic objectives** – are long-term goals. They have to be SMART (Specific, Measurable, Achievable, Relevant in Time).
- **The Plans** – **a**re indispensable tools for detailing how the chosen strategy will be carried out. They involve: defining activities, identifying and allocating resources, establishing the way of evaluating the performance, etc.

3. The stages of developing a strategy

A - Identifying the need for a strategic plan

↓

B – Strategic analysis (current state) of the enterprise

↓

C – Defining the vision, the mission and the strategic objectives

↓

D - Drawing up strategic alternatives and selecting the optimal strategy

↓

E – Detailing the optimal strategy and drawing the strategic business plan for the next 5 years

↓

F – Monitoring and control the application of the optimal strategy

- Fig. 3.1. The stages of developing a strategy

3. The stages of developing a strategy

- A - Identifying the need for a strategic plan

This stage is compulsory and is done by the companies that have an efficient management and who want to propose a planned development, not one that results from a current activity from one day to another.

The need to develop a strategic plan is implicit, but not all companies are aware of this.

It is necessary to know the global concept of the global / continental/ regional/ national development.

Without a solid basis of analysis and without awareness of the management of the company this stage will fail.

3. The stages of developing a strategy
A. Identifying the need for a strategic plan

- **A1. Possible development scenarios**

1. The market decides everything – a "wild competition" without clear rules and laws.

2. World governance – which will require a radical restructuring of the international organizational system, a collaboration between companies, civil society and national governments.

3. Regional/ continental governance – the EU model.

3. The stages of developing a strategy

A. Identifying the need for a strategic plan

A.2. Global development or regional/ national development

- Internationalization of the economy (1890- 1914) with subsequent disturbances brought by the 2 wars and the communist experiment.

- Entry on the global community's priority agenda of global issues – unemployment, demographic explosion, pollution, extending poverty and unemployment, technological development and diminishing resources, etc.

- Regional/ continental economic integration -started with the creation of the Common market in 1952 (European Coal and Steel Community).

- Globalization – (after 1970) – the system of receiving, approaching and solving in the long term by the entire international community the global problems of humanity. Globalization is based on 4 driving forces: trade, production, finance and technology.

3. The stages of developing a strategy
A. Identifying the need for a strategic plan

- **A3. Phenomena/ events opposed to globalization**

- Atomization – fragmentation of people into groups and regions, into communities and areas.
- Separation by race, ethnicity, economic power – complex process with adverse consequences on humanity.
- Populism – social – political attitude, often conjunctural, or demagogic, following gaining popular sympathy.

3. The stages of developing a strategy

A. Identifying the need for a strategic plan

- **A4. The basic concepts of the systemic approach**

- System – a set of components that in certain conditions of space and time interact and function ensuring a result.
- The frontier of a system – the limit by which an active and conscious observer delimits the external environment of the system from its internal environment.
- Environment – a domain of space and time and resources delimited from a functional – structural point of view through boundaries defined by a human observer.

3. The stages of developing a strategy

A. Identifying the need for a strategic plan

- **A.4. The basic concepts of the systemic approach**

- **The structure of a system** – the set of its components and the relationships between them that determine the identity and functionality of the system in its life cycle through its subsystems.

  - self-management subsystem (lead)

  - execution subsystem (informational and operational)

- **System capability** - Managerial ability to effectively use existing resources. The capabilities are obtained by integrating in time the human resources, knowledge, organizational structure and organizational culture of the company.

3. The stages of developing a strategy

A. Identifying the need for a strategic plan

- A.4. The basic concepts of the systemic approach

- Fundamental competence = the ability of the company to integrate the resources and the capabilities available in a particular field in a specific way that gives it competitiveness, compared to other companies. Any fundamental competence is based on certain resources and capabilities, but not any capacity can be transformed into fundamental competence.

3. The stages of developing a strategy
A. Identifying the need for a strategic plan

- **A.4. The basic concepts of the systemic approach**

- **The resources of a system** – are its reserves formed by internal means (internal resources) and external means (external resources) used by the system within its cycle or life (establishment, functioning with restructuring, cancellation).

- **The operating programs of a system** – the informational components (structures) that ensure the process of transforming the system, structuring and destroying it within its life cycle.

- **The competitiveness of a system** – the ability of the system to win, to achieve success in the competition in external environments in a space – time horizon, using the opportunities of the networks of systems from its internal and external environments.

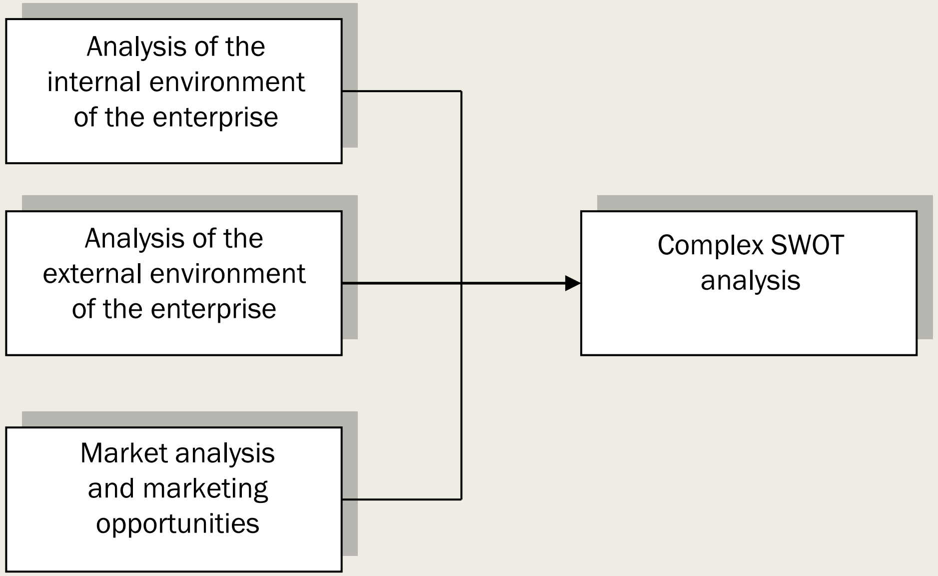
3. The stages of developing a strategy
A. Identifying the need for a strategic plan

- **A.5. Basic elements needed to be applied for the realization of the strategy**

- **Simulation** – the experimentation realized on a model of the original system
- **Optimization** – the externalization (by maximization/ minimization) of the ratio between the performance of a system and the consumption of resources
- **Modeling** – knowledge mediated by a model of the original system
- **The model of a system** – a physical - chemical system with which the properties and functioning of the original system with which the model presents a certain analogy can be indirectly studied.

3. The stages of developing a strategy

- B. Strategic analysis of the current state of the enterprise



- Fig. 3.2. The model of the analysis of the current state of the organization

3. The stages of developing a strategy

- **B1. Analysis of the internal environment of the enterprise** – it is the analysis that is done to identify the resources available to the company and how it uses them for the proper performance of its activity.

- All available or potential resources will be analyzed in turn, the management system of the company will be analyzed, communication, operating regulations, the degree of professional training of the employees, their own equipment (fixed means and significant inventory items) or attracted, all that it has to do with its functioning.

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise

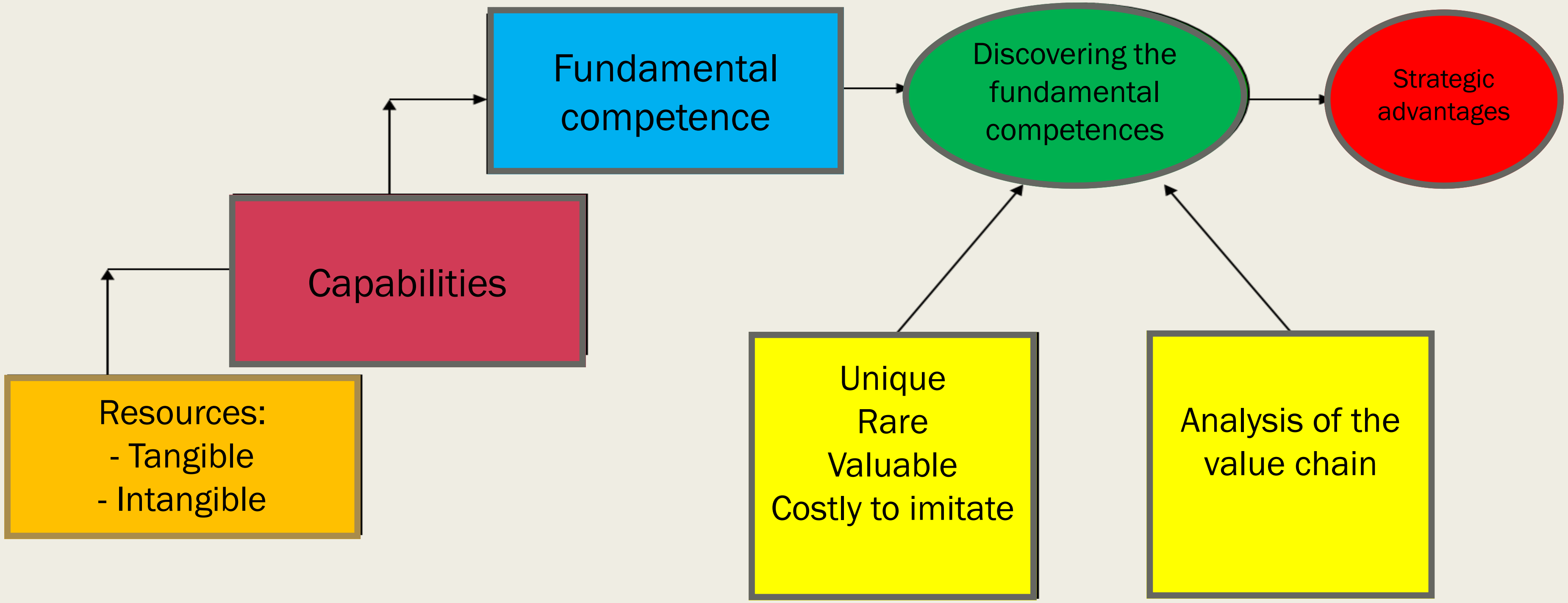


Fig. 3.3. Analysis of the internal environment and identification of strategic advantages

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise

- For a particular company and a certain filed, the competencies that can contribute to obtaining the competitive advantage must satisfy one of the 4 criteria:

Uniqueness – A unique or non-substitutable capability. Also, unique resources. (Toyota production system – at the beginning)

Scarcity – The scarcity of resources or capacity (Talent and creativity management at Walt Disney)

Value – Intrinsic value of resources and capabilities (Harvard University – value of teachers and how education is organized based on case studies)

The cost of imitation = The higher it is, the longer it will take until imitation occurs.

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise

- Tangible resources:

- Financial (money, lending capacity)
- Physical (land, buildings, equipment)
- Human (as individuals)

- Intangible resources:

- Human (experience, confidence, talent, intelligence)
- Knowledge (data, information, knowledge)
- Intellectual property (patents, trademarks)
- Image (company brand, product brand, reputation)

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise

- Capability – Managerial ability to effectively use existing resources. The capabilities are obtained by integrating in time the human resources, knowledge, organizational structure and organizational culture of the company.

Examples:

- *Microsoft, Google (Alphabet) – the ability to motivate employees*
- *Walt Disney, 3M – the ability to innovate*
- *Toyota – The ability to motivate employees*
- *Wal-Mart – Efficient use of logistics management*
- *Gillette – Effective product brand promotion*

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise– value chain analysis

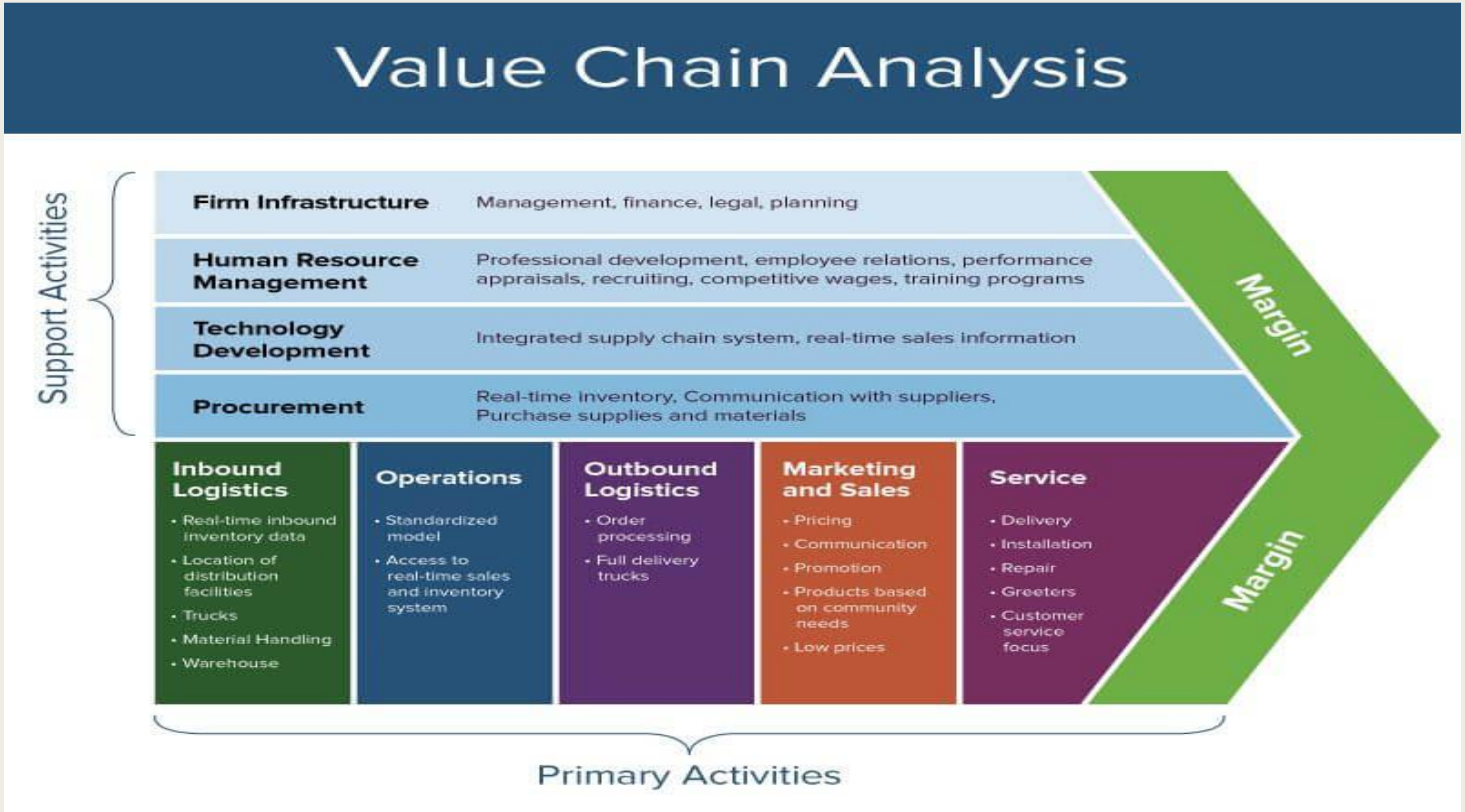


Fig. 3.4.Functional strategies according to the value chain model

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise– value chain analysis

- A – Support activities (company infrastructure, human resources management, technological development and supply)
- B – Primary activities (inbound logistics, production, outbound logistics, marketing + sales and after sales services)

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise – support activities

A1. Company infrastructure

- Ability to identify products and marketing opportunities on their market as well as identify threats from the external environment
- The quality of the company's strategic planning system to meet its proposed objectives
- Integration of the value chain at all operational levels of the company
- Low cost financing capacity of the company
- The ability of the information system to generate strategic and operational decisions
- The quality of the information management within the competitive economic environment in which the company operates
- Relations with interest groups and stakeholders
- Existing public image in the economic environment

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise – support activities

A2 – Human resources management

- Experience of recruitment, selection, professional training and career paths of employees
- Experience of a system of motivation and reward of employees
- The existence of a friendly working environment that minimizes absenteeism
- Existing relationships with employees’ associations and unions (if they exist in the respective company)
- Involvement of managers and technical personnel in professional organizations at local and central level
- The level of job satisfaction and their motivation

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise – support activities

A3 – Technological development

- The success of the research activities innovation development in the development of new products
- The quality of the relationships between the staff from the development research departments and the other departments
- The quality of technological development activities versus market challenges
- The quality of the laboratories and their equipment
- Qualification and qualification of personnel from the company’s laboratories
- The way the existing work environment encourages creativity and innovation

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise – support activities

A4 – Supply (purchasing)

- Develop a supplier network for each material to avoid reliance on a single source of supply
- The quality of the supply system with raw materials to identify the best offers, at the right time, at the costs and quality required and the desired location
- The existence of clear procurement procedures for both the production process and the support compartments
- Existence of criteria for choosing the optimal option (rent or buy)
- The existence of strong long – term relationships with reliable suppliers

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise – support activities

B1 – Input logistics

- The quality of the inventory control and management system
- The efficiency of the work activities in the warehouses of raw materials and materials

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise – support activities

B2 – The production

- Equipment and stuff productivity compared to the key competitors
- Existence is automated in terms of production power
- The existence of a production control system for quality improvement and lower costs
- Efficiency of placing the machinery and the equipment in the production units

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise – support activities

B3 – Output logistics

- Compliance with the delivery times for the company’s products and services
- The efficiency of the work activities in the warehouses of finished products

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise – support activities

B4 – Marketing and salles

- The efficiency of marketing research to identify customers and their segmentation
- Existence of innovation in sales and advertising
- Identification and evaluation of alternative distribution channels
- Motivation and competence of the sales force
- Developing a quality manufacturer image and a good reputation on the market
- Existence of a quality brand and loyalty to this brand
- Developing the own market segment and expanding it in the content of the global market

3. The stages of developing a strategy

B1. Analysis of the internal environment of the enterprise – support activities

B5 – After sales services

- Existence of a customer feedback system to improve the production process and products
- Prompt response to the customer requests
- An appropriate products warranty system
- The existence of a customer education system
- The ability to replace faulty systems and provide the necessary service

Elements of efficiency in the elaboration of the value chain

What factors can be?

- Eliminated – increases the reliability and lowers the cost
- Reduced – decreases the cost
- Raised – increases the value and image of the market
- Creations/ innovations – Unique offer for sale

After the detailed analysis of the above elements, we can identify the value chain we propose for our business.

Value chains – elements taken into account (examples)

- Hotelier industry – dining room location, architectural aesthetics, rest areas, room space, furniture and room amenities, accessibility, quality bed, room and bathroom hygiene, quietness, etc.
- Airlines – Table quality, service, flight frequency, possible connections with partner companies (alliance companies), choice of class, place, speed, flight time, etc.
- Fitness club – equipment, instructor availability, atmosphere, duration and complexity of exercises, encouragement and motivation, etc.

3.The stages of developing a strategy

B2. Final external environment analysis

- The operating external environment – the factors and forces with immediate action on the company, which directly influence the success of the activity carried out and over which the company exercises a certain control to a lesser or greater extent – suppliers, customers and competitors.
- The remote external environment – the factors and forces that have a direct od indirect action on the company but the company cannot directly influence them – STEEP factors – social, technological, economic, ecological, political.

3.The stages of developing a strategy

3.2. Analysis the external environment of the company (STEEP factors)

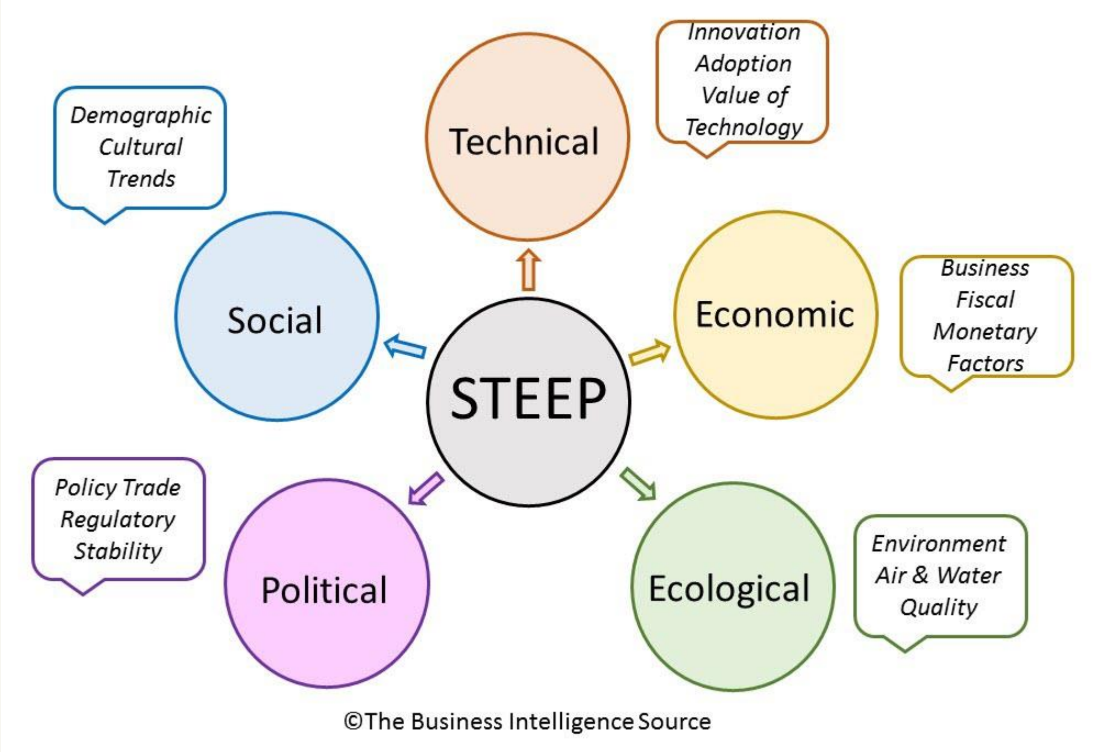


Fig. 3.5. Analysis the external environment of the company (STEEP factors)

3.The stages of developing a strategy

3.2. Analysis the external environment of the company – the competitive model PORTER

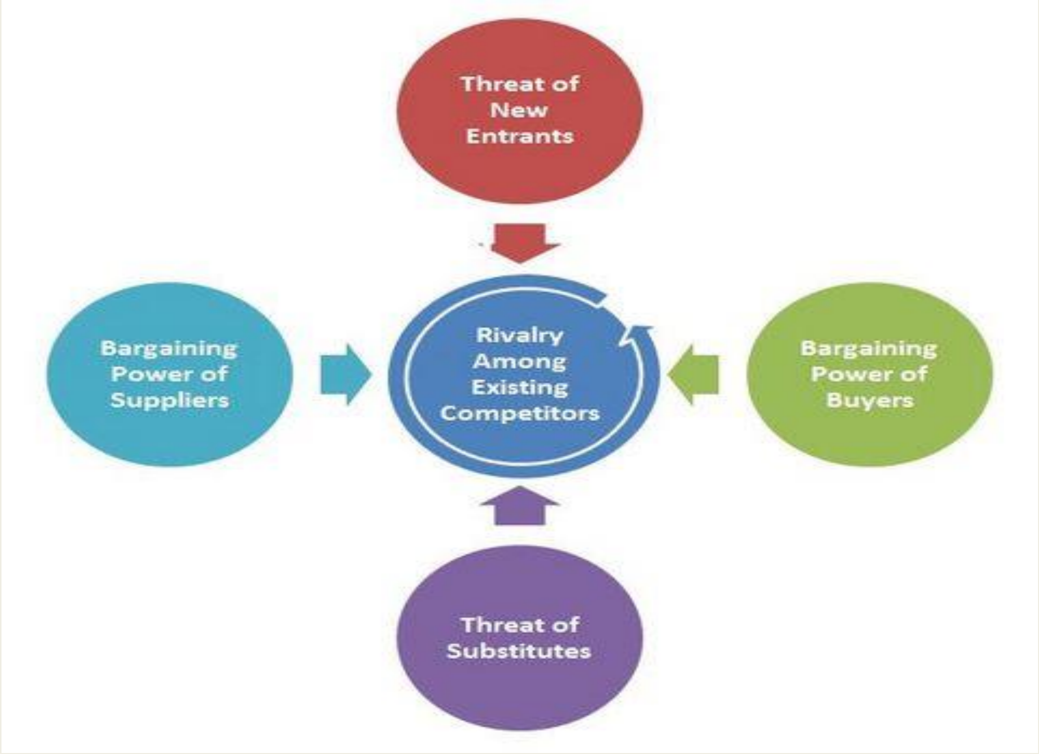
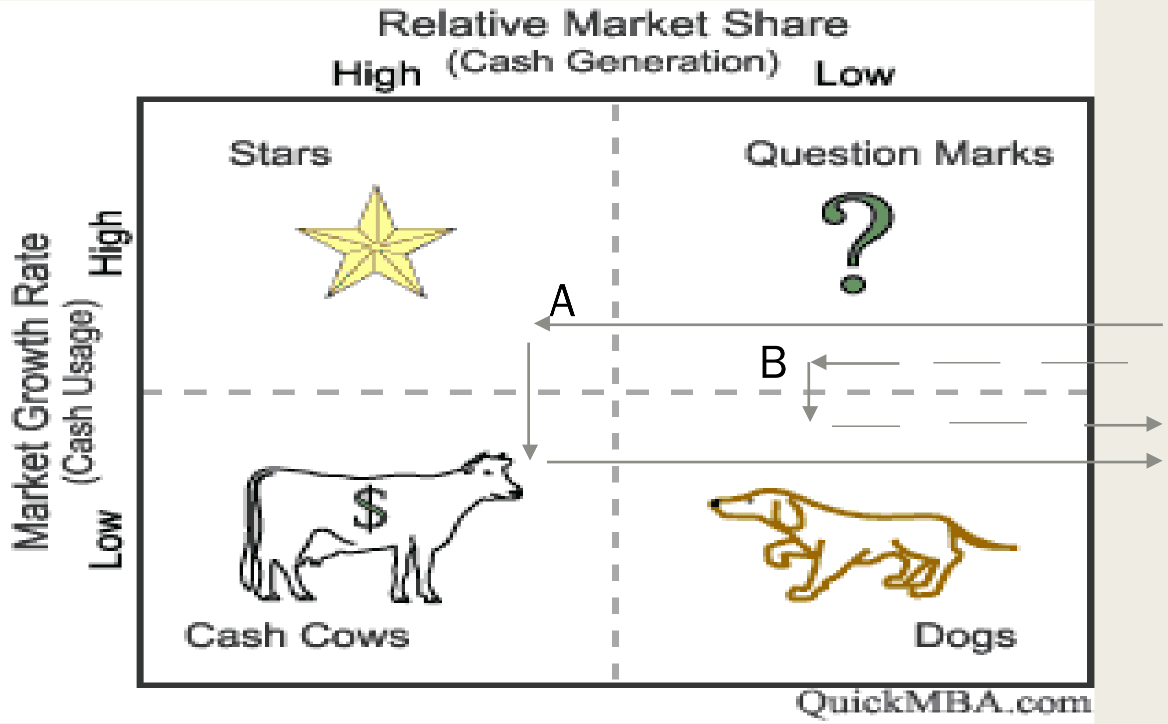


Fig. 3.6. The PORTER model of competition analysis

3.The stages of developing a strategy

- **B3. Market analysis and marketing opportunities** – is done through a combination of methods, the most used being the Boston Consulting Group (BCG) method.



A – The course of a successful product/ service

B – The course of a product/ service rejected from the market

Fig. 3.7. Boston Consulting Group Method (BCG)

3.The stages of developing a strategy

- B3. Market analysis and marketing opportunities

Quadrant I – **Question marks** – it is the dial in which a product is introduced without knowing clearly whether it will be accepted by the market or not.

Quadrant II – **Stars** – is the dial into which the product enters only if it has been accepted by the market, namely its relative market share has increased by more than 1X and the market growth rate is over 5%.

Quadrant III – **Cash cows** – is the dial which the product enters from a market growth rate of over 5% to a smaller one, which can even be negative.

Quadrant IV – **Dogs (Mill stones)** – is the last dial in the matrix, the dial into which the products enter before leaving the factory.

3. The stages of developing a strategy

- **B3. Market analysis and marketing opportunities** – correspondence of the Boston Consulting Group (BCG) method with the life cycle of a product.

- I – introduction
- II – growth
- III – maturity
- IV - decline

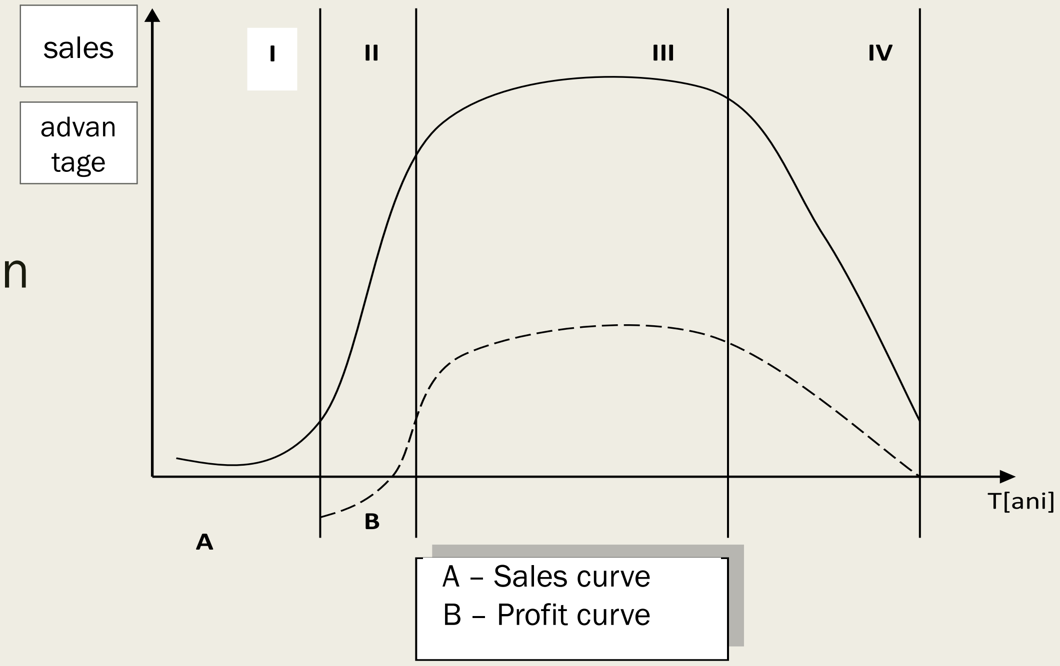


Fig. 3.8. Product life cycle

3. The stages of developing a strategy

- **B3. Market analysis and marketing opportunities** – correspondence of the Boston Consulting Group (BCG) method with the life cycle of a product.

- Quadrant 1 – question marks – corresponds to zone I (introduction)
- Quadrant 2 – stars – corresponds to zone II (growth)
- Quadrant 3 – Cash cows – corresponds to zone III (maturity)
- Quadrant 4 – Mill stones (Dogs)– corresponds to zone IV (decline)

3. The stages of developing a strategy

- **B3. Market analysis and marketing opportunities** – The Ansoff is a planning tool focused on the analysis of two key factors: products and markets respectively
- Sale of existing products on existing markets – Market penetration
- Extension of existing products to new markets – product development
- Development of new products for existing markets – Market development
- Development of new products for new markets – Diversification

The Ansoff matrix is directed to growth, so it can be applied depending on the specific conditions at a given time and on certain markets. It is a tool to be used in conjunction with the other tools mentioned above.

3. The stages of developing a strategy

- B4. Complex SWOT analysis

  Model 10 +1

1. Ensuring the availability of the necessary performance resources for the status of the new operating cycle

2. Provision and performance contracting of product and service ranges

3. Performing organization/ reorganization

4. Effective market positioning (by segment/ niche)

5. Performing assimilation of new competitive ranges

3. The stages of developing a strategy

- B4. Complex SWOT analysis

  Model 10 +1

6. Performance acquisition of resources in current operating cycles (energy, human resources, information resources)

7. High performance assortment marketing (product, price, placement, promotion) assortment performance

8. Fully satisfaction of needs and lasting loyalty of the clients and suppliers of the organization

9. Self – financing and high- performance lending

10. Sustainability of activities

3. The stages of developing a strategy

- B4. Complex SWOT analysis

  Model 10 +1

(+1) Competitive managerial power

+1.1. Leadership

+1.2. Motivating the personnel of the organization

+1.3. The culture of the organization

+1.4. Decision optimization and process regulation

+1.5. Relationships (organizations) in the industry

3. The stages of developing a strategy

- **C. Defining the vision, the mission and the strategic objectives**

C1. The vision – a statement of intent of what the company wants to become in the future (a picture designed in the future) being the first step in the strategic planning.

C2. The mission – identifies the purpose of the activities in terms of production and market. The mission of an organization represents the rationale of being and creating value for consumers and society as well as gaining a long-term competitive advantage.

C3. The strategic objectives – are long-term goals. They have to be SMART (Specific, Measurable, Achievable, Relevant in Time).

C1. The vision

- A statement of intent of what the company wants to become in the future (a picture designed in the future) being the first step in the strategic planning. The vision is an ideal state projected in the future which implies a dynamic thinking that evaluates the activity in the long term.

Strategic thinking refers to the future. What is the future?

The elements to consider when defining a vision are:

- *Period of time*
- *The complexity of the problem*
- *The degree of uncertainty*
- *The degree of news*
- *The emotion that creates the product/ service*

Example – Apple company’s vision

- Every thing we do, we believe – in challenging the status quo – in thinking differently (Why). The way we challenge the status quo is making our products beautifully designed, simple to use and user-friendly (How). Which it happens we make great computers (What).
- (Everything they did is to reverse the order of information. And that distinguishes Apple from all other computer companies.)
- **Conclusion** – invert the questions to which the vision of the company has to answer, namely from – **What – How – Why** in the reverse order – **Why – How – What**

C2. The mission

- Identifies the purpose of the activities in terms of production and market. The mission of an organization represents the rationale of being and creating value for consumers and society and gaining a long-term competitive advantage.

C2. The questions the mission must answer:

- 1. The clients – Who are the clients of the company?
- 2. The products (P) and the services (S) – Which are the main P and S of the company?
- 3. The markets – What is the geographical area where the company competes?
- 4. Technology – How current from a technologically point of view is the company?
- 5. Sustainable profitability – How sustainable is the activity of the company?
- 6. Company philosophy – What are the basic values and ethical priorities of the company?
- 7. Innovation – What is the competitive advantage of the company?
- 8. Company image – What is the public image of the company?
- 9. Concern of employees – What do the employees mean for the company?

C3. The strategic objectives

- There are the major long -term goals of the organization. Objectives in general must be SMART (Specific, Measurable, Achievable, Relevant in Time). Also, the strategic objectives must be:

- Accepted by all employees
- Action oriented
- Can be easily monitored (if necessary)

Question: Who should define the strategic objectives of the organization?

3.The stages of developing a strategy

- **D- Preparation of strategic alternatives and selection of optimal strategy**

D1 - Ways of defining strategic alternatives and choosing the optimal strategy.

The strategic alternatives are defined based on the information held and taking into account the activities that can bring a great added value to the company.

Regarding the levels at which these alternatives are prepared we have:

- Corporate level – C – at the level of the entire organization
- Business unit level – BU – focused on the specific needs of the respective location
- Operational level – O – functional perspectives at department level

3.The stages of developing a strategy

- The phases of the process of drawing up the strategic alternatives are:

a – Identifying and adjusting the gaps we have:

1. Evaluating the performances according to objectives and identifying the deficiencies – at C
2. Identification of deficiencies in relation to the exiting economic environment – at BU
3. The identification of the deficiencies related to the organizational capabilities – to O
4. Identification of future objectives to understand the possible gaps – at C

3.The stages of developing a strategy

- The phases of the process of drawing up the strategic alternatives are:

b – Identify the resources needed to reduce the gaps:

5. Describe broad action plans aimed at achieving the objectives – at BU

6. Identification of the resources needed for each function (company department) for the implementation of the plans – at O

7. Quantifying needs on each function of the company to identify the needs of the organization – at BU

3.The stages of developing a strategy

- The phases of the process of drawing up the strategic alternatives are:

c – distribution of resources:

8. The allocation of resources at the level of several business units – at C

9. Reallocation of resources awarded at the level of functions at the company (departments) – at BU

10. The division of resources within the functions to the company (departments) – at O

11. Identification of future objectives to understand the possible gaps – at C

3.The stages of developing a strategy

- The phases of the process of drawing up the strategic alternatives are:

d – Monitoring the progress of the whole process

12. Monitoring the use of resources within departments – at BU
13. Monitoring the use of resources within the business units – at C

3.The stages of developing a strategy

D1 – Ways of defining strategic alternatives and choosing the optimal strategy

After defining the possible strategies, the ones that are considered the most important for the company are chosen and a classification is made. An important tool that can quantify the values given to the considered strategies is the quantitative matrix of the strategic decision basis (QMSTB).

The quantitative matrix of the strategic decision basis (QMSTB)

- General example

Key influencing factors	Pondere p_f	Strategia S1		Strategia S2		Strategia S3	
		N_{1f}	$N_{1f} \cdot p_f$	N_{2f}	$N_{2f} \cdot p_f$	N_{3f}	$N_{3f} \cdot p_f$
External factors							
- social							
- technology							
- economic							
- ecological							
- political							
	$\sum$pfi = 1						
Internal factors							
- Resources availability assurance							
- Provision and contracting							
- Organization							
- Market positioning							
- Assimilating new ressortments							
- Purchasing current cycle resources							
- production							
- sale							
- Self – financing and lending							
- Meeting needs and loyalty							
- Competitive managerial power							
	$\sum$pfj = 1						
Total			T1 =		T2 =		T3 =

The quantitative matrix of the strategic decision basis (QMSTB)

- In the previous QMSTB a possible analysis of 3 strategies is given. External factors that influence them are defined (which form O – Opportunities and T – Threats characteristic of SWOT analysis). These external factors are assigned with a value related to the weight of the respective external factor. The sum of the weights for external factors is $\sum pfi = 1$.

- The same is done with the internal factors that have an influence on the comparative strategies (those that make up S – Strengths and W – Weaknesses characteristic of SWOT analysis). The sum of the weights for the internal factors is also $\sum pfj = 1$.

The quantitative matrix of the strategic decision basis (MCFDS)

- The influence factors N, are assigned with a level of influence that can be included in 1 and 5 information

1. Unsatisfactory
2. Satisfactory
3. Good
4. Very good
5. Excellent

In the end, the totals of T1 , T2 and T3 are made which include both external and internal factors. The strategy that has the largest total (of the ones subjected to the analysis) is chosen as the optional strategy which will be detailed below.

3.The stages of developing a strategy

D – Preparation of strategic alternatives and selection of optimal strategy

D2. Operational Strategy – O

- It is done at the department level
- It is realized by the head of the department with the consultation of the key persons in the department
- The degree of detail is high
- The time period is different from case to case

3.The stages of developing a strategy

D – Preparation of strategic alternatives and selection of optimal strategy

D3 – Business unit level strategy – BU

- It is done at the company level
- It is realized by the director (the board of directors of the company)
- The degree of details is medium to high
- The time period is different from case to case

3.The stages of developing a strategy

D – Preparation of strategic alternatives and selection of optimal strategy

D4 – The strategy at international (corporate) level – C

- It is done globally
- It is realized by the board of directors with the consultation of the shareholders
- It is done starting from the information received from BY, by their aggregation, weighted with indices derived from the information on the global economic environment and from the objectives voted by the shareholders
- The time period is high

3.The stages of developing a strategy

D – Preparation of strategic alternatives and selection of optimal strategy

D5 – Types of strategies

1. **Growth strategies** – are the strategies that aim to increase sales either by approaching new markets or by launching new products. The main strategic alternatives belonging to this category are:

- The connection strategy that is applied when the company is based on a single product, a single technology and a single product – market combination, but pursuing an exceptional quality. Growth is strongly based on the function of research and development.
- The market share growth strategy manifests itself when dynamic market share is pursued through dynamic marketing.
- The concentric diversification strategy is applied when, besides the initial product, a number of other products are developed, in other words, the product that created the special competence is not given up.
- The strategy of diversification of the conglomerate type consists in associating, merging or integrating in order to expand into new markets. The company's portfolio grows looking for the financial benefits and profitability of various markets.

3.The stages of developing a strategy

D – Preparation of strategic alternatives and selection of optimal strategy

D5 – Types of strategies

2. Integration strategies – aim to stabilize the distribution chain or provide raw materials at low costs. The strategic integration alternatives used are:

- The vertical integration strategy applicable in the situation in which the control over the resources, suppliers or distribution system related to the company activity is sought. This approach is based on the decision to stabilize the supply or to reduce its costs and to control the quality of the raw material or subassemblies when it is called upstream integration. In the situation where the integration aims the acquisition of the distribution channels and the control over the clients, there is talk of a downstream integration.
- The strategy of horizontal integration consists in strengthening the competitiveness by acquiring competing companies or those producing replacement products.

3.The stages of developing a strategy

D – Preparation of strategic alternatives and selection of optimal strategy

D5 – Types of strategies

3. Diversification strategies – aim to increase the product portfolio either by purchasing new products or by creating new products as a result of their own research. The main strategic diversification alternatives are:

- *The strategy of product diversification* is found when it is decided to develop internally, by purchasing or by forming joint ventures to launch products with different like cycles on the market that those already existing.

- *The market expansion strategy* is realized on the basis of geographical decentralization, increasing the number of points of sale or by entering markets from the international space.

- *The strategy of portfolio diversification* takes place when it is decided to achieve by acquiring or assimilating a conglomerate of diverse activities that stabilize the revenues and reduce the financial risk.

3.The stages of developing a strategy

D – Preparation of strategic alternatives and selection of optimal strategy

D5 – Types of strategies

4. Reduction strategies – this type of strategy aims to reconsider the position and activity of the company in order to regroup after an exaggerated expansion. Among the reduction strategies, the following can be listed:

- The consolidation strategy aims at regrouping the activity in terms of markets and products in the situation of an extension difficult to coordinate.
- The liquidation strategy is the strategic alternative in which it is considered appropriate to close the company or to declare bankruptcy.

Example – Alternative strategies
Blue ocean versus red ocean

Blue Ocean
Untapped market space

- Market boundaries not set
- Focus in customers

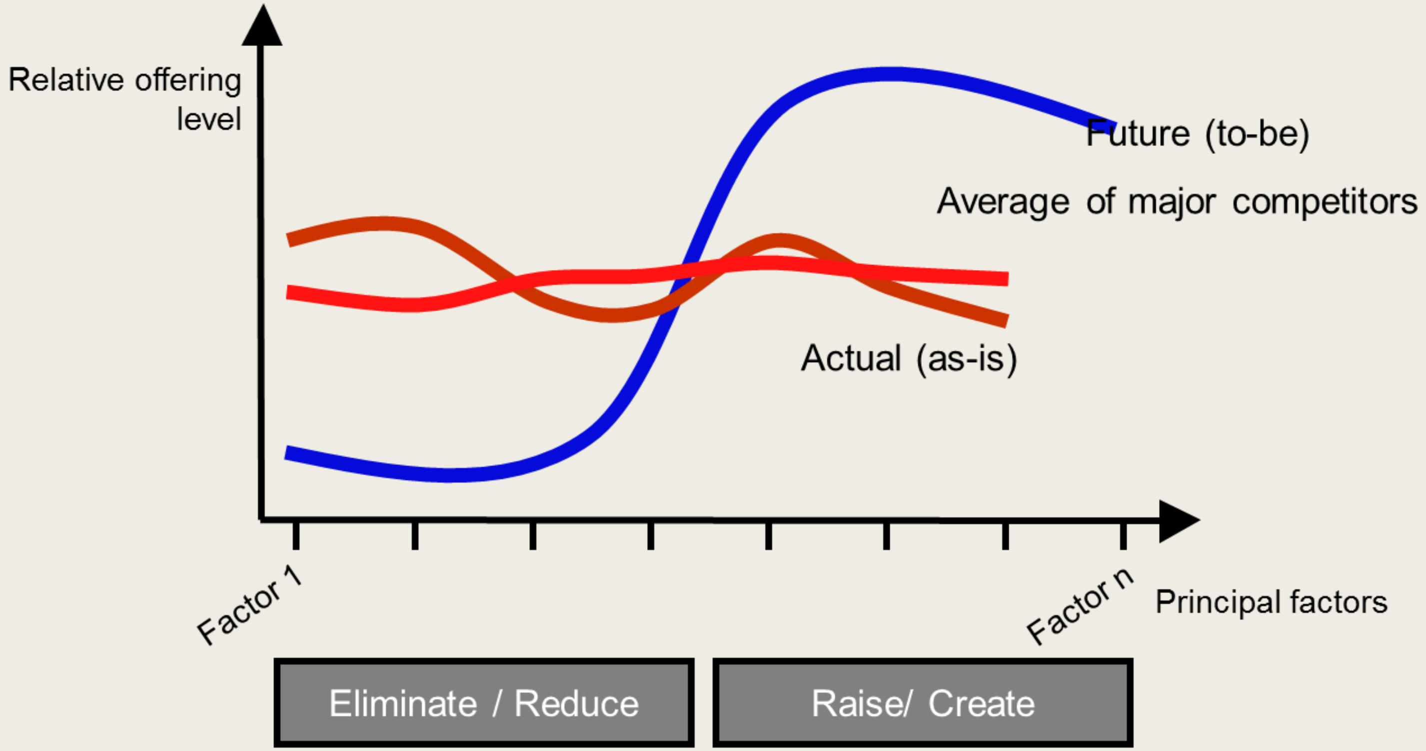
Red Ocean
Existing competitive arena

- Market boundaries given and not challenged
- Focus on competition (outperform)

Example – Alternative strategies Blue ocean versus red ocean

Strategia Oceanului Albastru	Strategia Oceanului Roșu
Create uncontested market space	Compete in the existing market space
Make the competition irrelevant	Beat the competition
Create and capture new demand	Exploit existing demand
Break the increase value – reduce cost trade-off	Make trade-offs between increase value and reduce cost
Align the whole system of a firm's activities in pursuit of differentiation *and* reducing cost	Align the whole system of a firm's activities with its strategic choice of differentiation *or* reducing cost

Example - Strategy canvas and value curve



3.The stages of developing a strategy

E – Detailing the optimal strategy

It is done by drawing up a strategic plan that must be implemented. The respective strategic plan involves defining the following elements:

- The activities that must be carried out in order to complete the respective plan
- The time periods in which the respective activities must be solved (a graph with Gantt bars)
- The material and financial resources allocated for carrying out the respective activities
- The persons responsible for carrying out the activities and the part for which each is responsible.
- How the monitoring will be done and the time periods during which the monitoring will be carried out.

The planning will be based on the model of a business plan adapted to the respective optimal strategy. The strategic plan will also include a financial analysis, a statement of income and expenses and a cash flow.

The stages of elaborating the optimal strategy

- **The conditions that encourage the implementation of the strategy** – are divided into 2 categories:

1. Necessary conditions

   - stability – predictable business environment
   - simplicity – make it simple

2. Motivational conditions

   - industry maturity – in mature markets the change is gradual
   - Capital intensity – the type of equipment provided and their flexibility
   - Connecting with suppliers – it is important to have feasible and flexible suppliers
   - external control – the audit performed by clients

3. The stages of developing a strategy

- F – Monitoring and control of applying the optimal strategy

It is compulsory based on the monitoring plan defined in previous stage. It is very important that careful monitoring to be done precisely in order to avoid any mistakes that may occur during the implementation and that not discovered in time can lead to big problems not only from the implementation of the plan but also from the financial point of view.

The monitoring is of two types:

- Quantitative – when checking the degree of physical achievement
- Qualitative – when checking the quality of the fulfillment of the strategic plan

It is done both by the persons directly involved in the implementation (for certain things) and by persons from outside the implementation team of the optimal strategic development plan of the respective company.

4. Implementation of the strategy
4.1. Change management

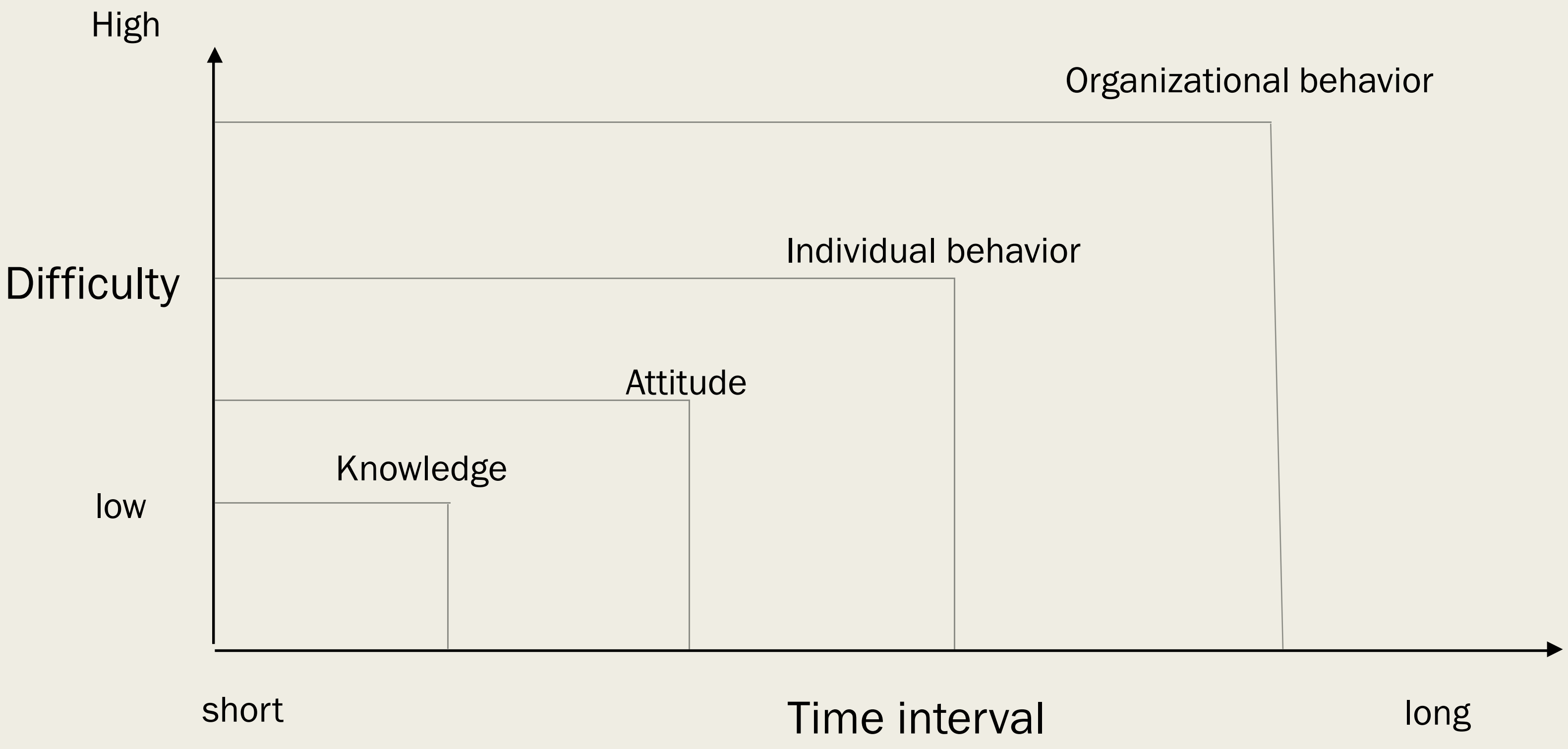
- **(The) change is the process of moving or replacing a given state with another state.**
- The change in a company can be divided into two broad categories:

  - **Profound change** – large scale at the enterprise level (new products, new production systems, new quality systems) being extremely difficult to implement and control)

  - **Routine change**- small in size that does not involve activities difficult to manage (new tools, new functions)

4. Implementation of the strategy

4.1. Change management – levels of change



4. Implementation of the strategy
4.1. Change management – levels of change

The main types of change approach are:

- Bottom – up approach – the change starts from the lower levels of the company, when the employees are aware that the respective state of affairs can no longer continue in the respective way
- Top – down approach – change starts from the management to employees, this being the most common way to approach change
- Hiring an expert – the change is made by a person outside the company (a business consultant), but after the management of the company is convinced of the importance and necessity of the change

4. Implementation of the strategy

4.1. Change management – the advantages and disadvantages of the types of change approach

Type of approach	advantages	disadvantages
Bottom – up approach	- Stimulates employee participation and creativity - Change is more easily accepted	- It is not very well organized - Change orientation is not well defined - The implementation time is relative long
Top – down approach	- It is planned and well directed - The change is made in a shorter time	- Depends on the quality of the management - Can be subjective
Hiring an expert	- objective, well directed - Uses the multiple experience of the expert	- Can create implementation problems - High costs

4. Implementation of the strategy

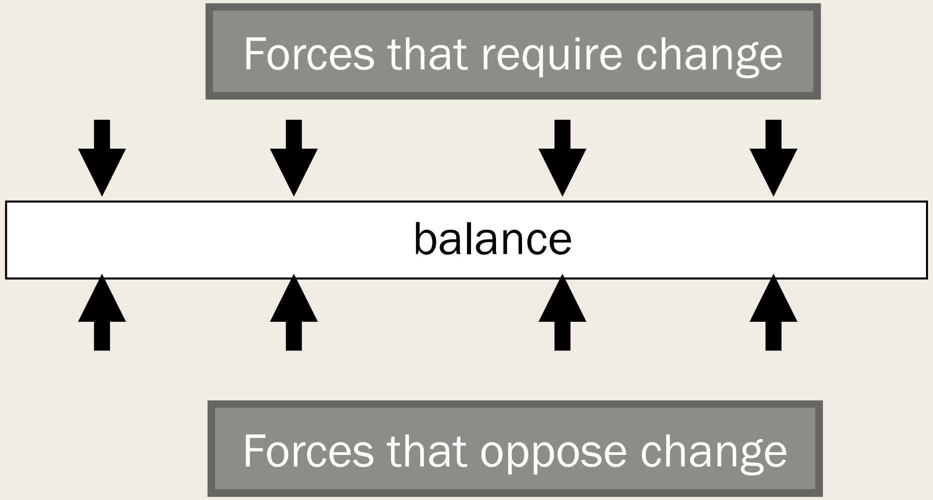
4.1. Change management– opposition to change

- The main causes that lead to opposition to change at the level of those involved are:

- Fear of unknown
- Inertia
- Surprise
- Fear of incompetence
- Loss of values
- Narrow personal interest
- Misunderstanding and lack of confidence
- Differences in assessing the situation of necessity of change
- Low tolerance for changing associated with fear and stress
- Past negative experience related to change

4. Implementation of the strategy

4.1. Change management– force filed analysis



4. Implementation of the strategy

4.1. Change management – force filed analysis

The forces that support change:

- external forces:

– evolution of customer preferences regarding a certain activity (product)
– changing information technologies and systems;
– changing the structure of the labor force;
– change of inflation (decrease or increase));
– increasing or decreasing demand for certain products;
– increasing competition, etc.

- internal forces:

– the desire to increase the quality of the products;
– the desire to increase productivity;
– the desire to create new peoducts;
– desire to improve staff motivation, etc

4. Implementation of the strategy

4.1. Change management– force filed analysis

The forces opposing changes:

- External forces:

– Outdated legislation
– Certain contractual clauses

- Internal forces

- Fear of incompetence
– The fear of the unknown
– Tear of new things
– Internal organizations of companies (in many cases)

4. Implementation of the strategy

4.1. Change management– force filed analysis

The way in which the opposition to change manifested:

- Direct resistance and openness;
- Delaying the implementation of the actions from the change plan;
- Exaggeration of negative effects;
- Overly cautious behavior.

4. Implementation of the strategy

4.1. Change management– techniques to counteract the opposition to change

- Training and communication
- Participation and involvement
- Facilitation and support
- Negotiation and obtaining agreement
- Manipulation
- Cooptation
- constraint

4. Implementation of the strategy

4.1. Change management– techniques to counteract the opposition to change

In order for change to be successful, it is important that:

- the forces promoting change are stronger than the opposing forces
- to create a critical mass favorable to change
- to create a favorable moment for the initiation of change

4. Implementation of the strategy

4.1. Change management– the stages of the changes

1. Preparing for change
2. Unfreeze
3. Implementing the change
4. Refreeze
5. Evaluation

4. Implementation of the strategy

4.1. Change management– 1 - Preparing for change - stages

a. Identification of the type and nature of the changes required by analyzing the internal and external environment of the company
b. Defining as clearly as possible the necessary changes and the objectives of the change
c. Identification of internal and external pressures favorable to change
d. Identification of the elements that will be affected by the change
e. Estimation of the necessary resources and of the people who can manage the change and the levels of the change
f. Establishing the standards and performance indicators necessary to evaluate the implementation of the change
g. Identification of the forms of opposition to the change
h. Identification and planning of techniques to reduce opposition to change
i. Reviewing the elements presented above and planning the implementation of the change

4. Implementation of the strategy

4.1.Change management– 2- the Unfreeze

- In this stage is followed:

   a. *Putting into practice the methods and techniques for reducing resistance to change*

   b. *Monitoring the results of reducing the resistance to change. This phase involves creating the right conditions for change to take place. Through resistance to change, people often attribute a sense of identity to their environment. In this phase, the alternatives, even the beneficial ones, will create discomfort. The challenge is represented by bringing people from this "frozen" state to "thawed" state , subject to change.*

4. Implementation of the strategy

4.1. Change management– 3 - Implementing the change

- At this stage the change is introduced and monitored in order to adjust the implementation plans.
  - *a. The speed of adoption of the change*
  - *b. Problems and possible new manifestations of resistance to change*

  This «journey» of transition is essential and at the psychological level is generally a period of confusion. Poeple are aware that the old methods are being tested, but there is no clear understanding of the new methods that will dismiss them. With the change of roles, a reduced state of efficiency is created, in ehich the objectives are significantly reduces. It is important to have good leaderchip, maybe even coaching, counseling or psychological support will be needed. The ultimate goal of this phase is to bring people to a «thaw» state and keep them that way.

4. Implementation of the strategy

4.1. Change management – 4 - Refreeze

- In this stage the transformations made are stopped, the organization already reaching the new state initially estimated and verifies the components that were influenced by the implemented change.

The ultimate goal of the process is to obtain a state of «rewarming», restoring a new state of stability and rasing comfort levels by bringing people back to their comfort zone, familiar. Re-freezing leads people from a period of low productivity, from a state of transition, to a stable and productive state.

4. Implementation of the strategy

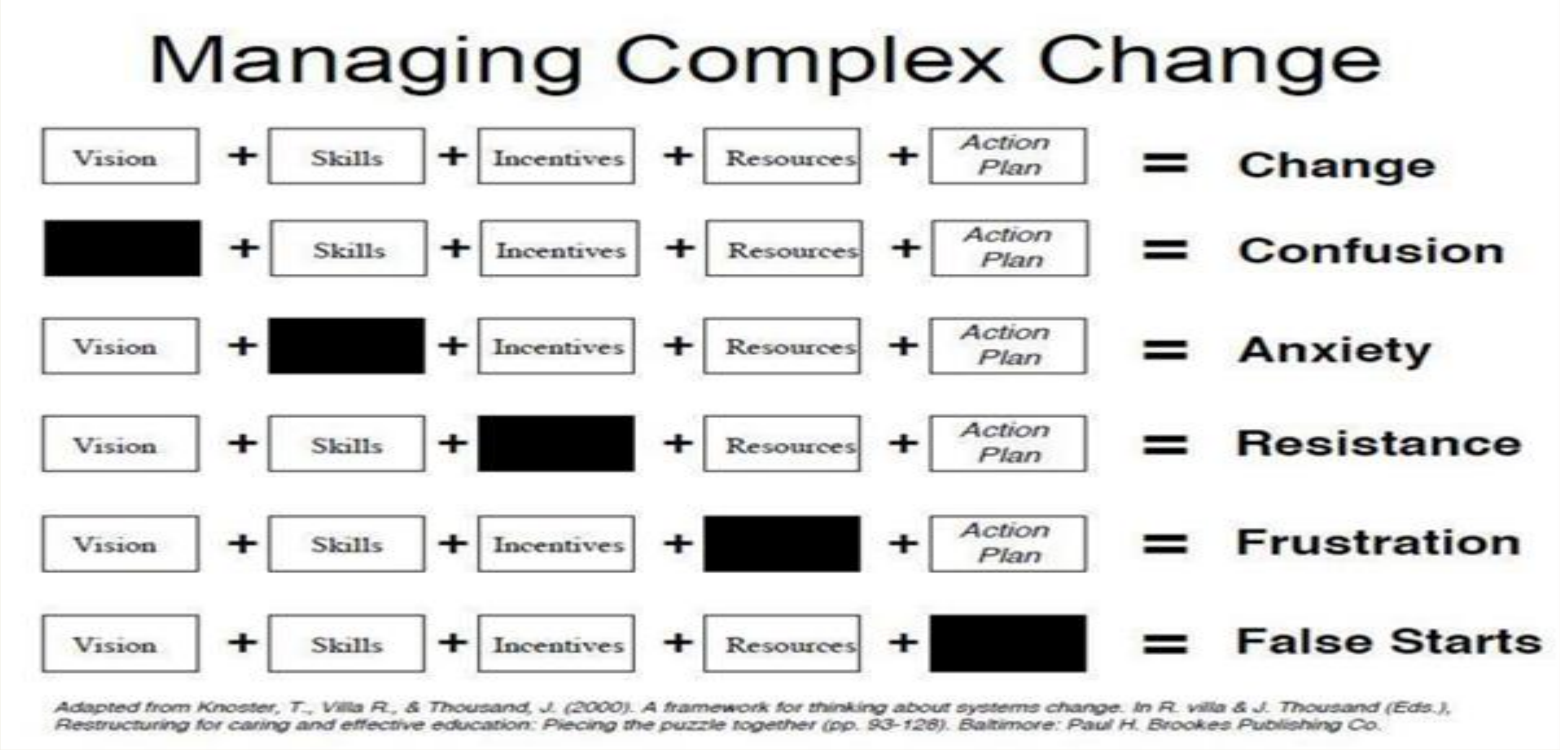
4.1. Change management– 5 - Evaluation

- In this stage it is follower

  a. Measuring the results and comparing them eith the established objectives and the resources used

  b. Drawing conclusions in order to prepare for a possible new change

Practical exercises for managing complex change



4. Implementation of the strategy

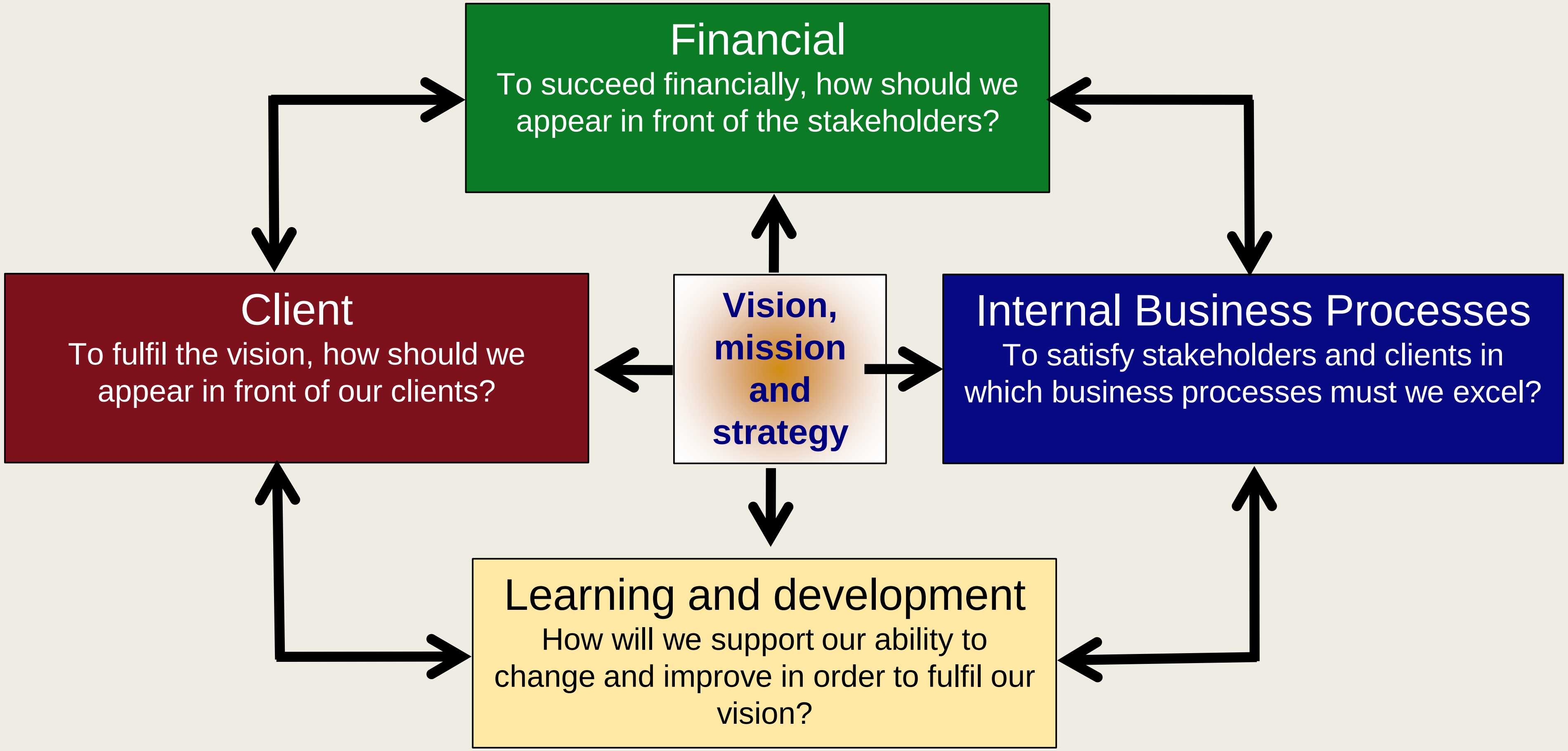
4.2. Specific implementation actions

Effective implementation of the strategy is the most difficult part. In most cases it is a change that involves the first resources, the human resources being the most important. In order to implement the strategy it is neccesary to make an action plan

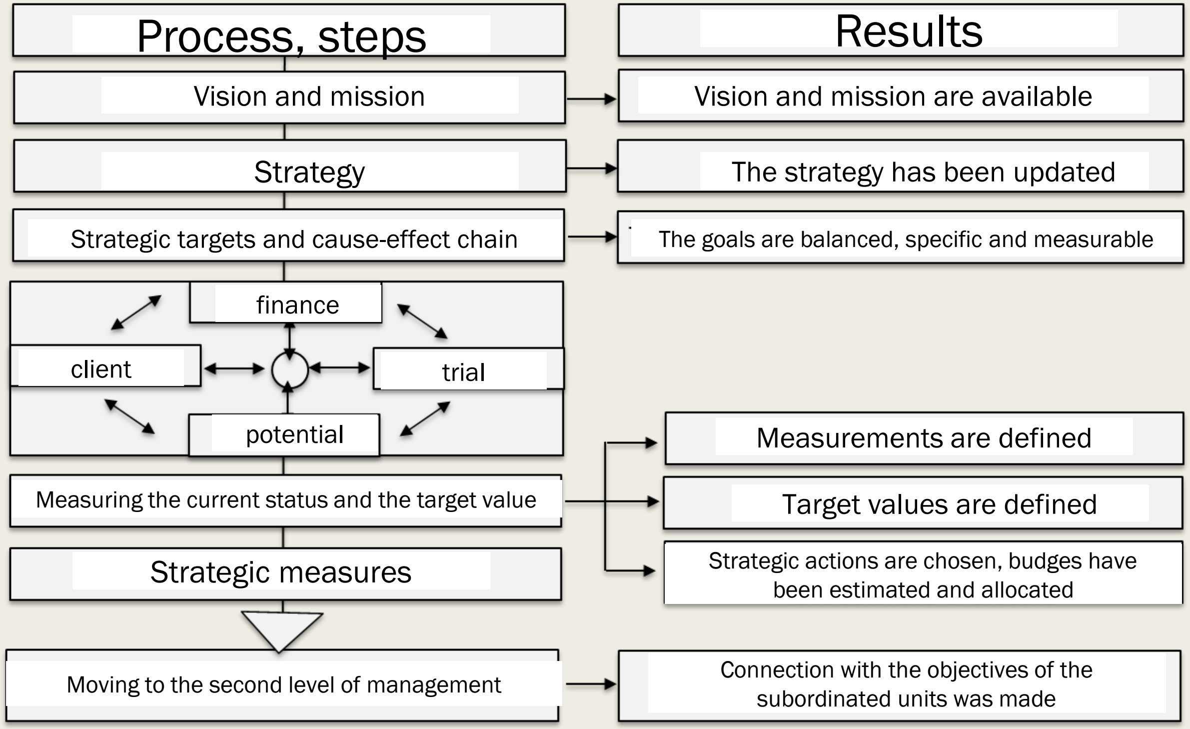
The action plans– are working tools that contain the following:

- Activities
- Deadlines
- Resources involved
- Ways to verifying the achievement of the proposed objectives

Part 5. The evaluation of the implementation of the scorecard balance strategy



Part 5. The evaluation of the implementation of the scorecard balance strategy – process, steps and results



Part 5. Assessment of strategy implementation – Development of a Balanced Scorecard

Month	1	2	3	4	5	6	7	8	9
Analysis of the current state of the system									
Mission statement									
Strategy preparation									
Strategy development									
Informational management									
Project organization									
BCS									
- construction									
- Derivations of the targets									
- Cause – effect relationship									
- bench marketing									
- Target values									
- measurements									
Incentive system									
- The concept of reward									
- exposure									
Human Resources development									
MbO cycle									
Leadership training									
Team management									
Implementation of a pilot BSC									
Feedback and improvements									

Thank you for your attention!