Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

SKU: 9781259899690-SOLUTIONS

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

CHAPTER 2

Charting a Company's Direction: Its Vision and Mission, Objectives, and Strategy

Chapter Summary

Chapter Two presents an overview of the managerial tasks associated with developing and executing company strategies. Special attention is given to the importance of a clear vision for the company and the strategic and financial objectives that will guide the way. The importance of setting objectives at all levels of the organization is explored along with the role of operating excellence in the successful execution of strategy. The chapter wraps us with an exploration of the role of the company's board of directors in overseeing the strategic management process.

Lecture Outline

I. Introduction—Crafting and executing a strategy are the heart and soul of managing a business enterprise.

II. What Does the Process of Crafting and Executing Strategy Entail?

connect ACTIVITY

Consider adding a LearnSmart assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

1. Crafting and executing a company's strategy consists of five interrelated stages:
   a. Developing a strategic vision of the company's long term direction, a mission that describes the company's purpose, and a set of values to guide the pursuit of the vision and mission.
   b. Setting objectives and using them as yardsticks for measuring the company's performance and progress.
   c. Crafting a strategy to achieve the objectives and move the company along the strategic course that management has charted.
   d. Executing the chosen strategy efficiently and effectively.
   e. Monitoring developments, evaluating performance, and initiating corrective adjustments in the company's vision and mission, objectives, strategy, or execution in light of actual experience, changing conditions, new ideas, and new opportunities.
2. **Figure 2.1, The Strategy-Making, Strategy-Executing Process** illustrates this process.

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

III. Stage 1: Developing a Strategic Vision, A Mission Statement, and a Set of Core Values

connect ACTIVITY

Consider adding a LearnSmart assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

1. Developing a Strategic Vision

   a. Top management's views and conclusions about the company's long-term direction and what product–market–customer mix seems optimal for the road ahead constitute a **strategic vision** for the company.

   b. A number of factors need to be considered in deciding what words to use when creating the vision which will tell the company 'where we are going.' **Table 2.1, Wording a Vision Statement**—the Dos and Don'ts, explores some of these critical word choices.

> **CORE CONCEPT**
>
> A strategic vision describes "where we are going"—the course and direction management has charted and the company's future product customer-market-technology focus.

ILLUSTRATION CAPSULE 2.1

Examples of Strategic Visions—How Well Do They Measure Up?

Discussion Question 1: What appears to be missing from the Whole Foods vision statement presented in Capsule 2.1?

Answer: (1) Brevity—the statement is very long which makes it difficult to keep the attention of the audience. (2) Memorable—the statement cannot be easily reduced to a few choice lines or a one-phrase slogan.

Discussion Question 2: What is effective in the Nike vision statement presented in Capsule 2.1?

Answer: The statement is short, making it focused and memorable. The vision described is feasible and flexible.

2. Communicating the Strategic Vision

   a. A strategic vision has little value to the organization unless it's effectively communicated down the line to lower-level managers and employees.

   b. An effectively communicated vision is a valuable management tool for enlisting the commitment of company personnel to engage in actions that move the company forward in the intended direction.

   c. A Expressing the Essence of the Vision in a Slogan The task of effectively conveying the vision to company personnel is assisted when management can capture the vision of where to head in a catchy or easily remembered slogan.

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

d. The Vision Statement Matters: A well thought-out, forcefully communicated strategic vision pays off in several respects: (1) It crystallizes senior executives' own views about the firm's long-term direction; (2) it reduces the risk of rudderless decision making; (3) it is a tool for winning the support of organization members to help make the vision a reality; (4) it provides a beacon for lower-level managers in setting departmental objectives and crafting departmental strategies that are in sync with the company's overall strategy; and (5) it helps an organization prepare for the future. When management is able to demonstrate significant progress in achieving these five benefits, it can count its efforts to create an effective vision for the company as successful.

3. Developing a Company Mission Statement

a. The distinction between a strategic vision and a mission statement is fairly clear-cut: A **strategic vision** portrays a company's aspirations for its *future* ("where we are going"), whereas a company's **mission** describes its *purpose* and its *present* business ("who we are, what we do, and why we are here").

b. A company mission statement should ideally (1) identifies the company's products/services, (2) specifies the buyer needs that it seeks to satisfy and the customer groups or markets it serves, and (3) gives the company its own identity.

4. Linking the Vision/Mission with Company Values

a. By **values or core values**, we mean the beliefs, traits, and ways of doing things that management has determined should guide the pursuit of its vision and mission.

> **CORE CONCEPT**
>
> A company's values are the beliefs, traits, and behavioral norms that company personnel are expected to display in conducting the company's business and pursuing its strategic vision and mission.

b. Most companies have articulated four to eight core values that company personnel are expected to display and that are supposed to be mirrored in how the company conducts its business.

ILLUSTRATION CAPSULE 2.2

Patagonia, Inc.: A Values-Driven Company

Discussion Question: Patagonia states in its mission statement that it builds the best products, causes no unnecessary harm, and uses business to inspire and implement solutions to the environmental crisis. How are these core values expressed in the operations of the firm?

Answer: Patagonia operationalizes its values in key areas of the operation:

- Routinely, the company opts for more expensive materials and labor to maintain internal consistency with the mission.
- Patagonia holds its manufacturers accountable through a variety of auditing partnerships and alliances.
- The company uses sustainable and recyclable materials which are ethically procured.
- The company has established foundations to support ecological causes, even giving 1 percent of profits to conservation causes.

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

IV. Stage 2: Setting Objectives

connect ACTIVITY

Consider adding a LearnSmart assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

1. The managerial purpose of setting **objectives** is to convert the strategic vision into specific performance targets. Objectives reflect management's aspirations for company performance in light of the industry's prevailing economic and competitive conditions and the company's internal capabilities.

> **CORE CONCEPT**
>
> **Objectives** are an organization's performance targets—the specific results management wants to achieve.

> **CORE CONCEPT**
>
> **Stretch objectives** set performance targets high enough to *stretch* an organization to perform at its full potential and deliver the best possible results.

2. Well-stated objectives are specific, quantifiable or measurable and contain a deadline for achievement.

3. Concrete, measurable objectives are managerially valuable for three reasons: (1) They focus efforts and align actions throughout the organization, (2) they serve as *yardsticks* for tracking a company's performance and progress, and (3) they motivate employees to expend greater effort and perform at a high level.

> **CORE CONCEPT**
>
> A company exhibits **strategic intent** when it relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective.

4. The Imperative of Setting Stretch Objectives - The experiences of countless companies and managers teach that one of the best ways to promote outstanding company performance is for managers to deliberately set performance targets high enough to stretch an organization to perform at its full potential and deliver the best possible results.

5. What Kinds of Objectives to Set

   a. Two very distinctive types of performance yardsticks are required:

      - Those relating to financial performance
      - Those relating to strategic performance

   b. A company's set of financial and strategic objectives should include both near-term and longer-term performance targets.

   c. When trade-offs have to be made between achieving long-term objectives and achieving short-term objectives, long-term objectives should generally take precedence.

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

d. **Table 2.2 - Common Financial and Strategic Objectives** provides several examples of both type of objectives.

> **CORE CONCEPT**
>
> **Financial objectives** relate to the financial performance targets management has established for the organization to achieve.
> **Strategic objectives** relate to target outcomes that indicate a company is strengthening its market standing, competitive vitality, and future business prospects.

5. The Need for a Balanced Approach to Objective Setting - Of equal or greater importance than financial performance is a company's strategic performance—outcomes that indicate whether a company's market position and competitiveness are deteriorating, holding steady, or improving.

> **CORE CONCEPT**
>
> The **Balanced Scorecard** is a widely used method for combining the use of both strategic and financial objectives, tracking their achievement, and giving management a more complete and balanced view of how well an organization is performing.

ILLUSTRATION CAPSULE 2.3

Examples of Company Objectives

Discussion Question 1: What is the prominent purpose of an organization's stated objectives?

Answer: Objectives identify an organization's performance targets. They serve to function as measures for tracking the organization's performance and progress toward achievement of desired goals.

Discussion Question 2: What are some specific examples that are included in the Capsule:

Answer: Each of these companies has clearly stated what the company intends to do in specific terms:
UPS—Increase percentage of business to consumer package deliveries... Increase intra-regional export shipments from...
Alcoa—Increase revenues from higher margin aero/defense and transportation aluminum products from... Increase automotive sheet shipments from ...
Yum Brands—Add 1,000 new Taco Bell uniuts in the U.S. by 2020 Increase Taco Bell revenues from... Expand the number of Pizza Hut locations in China by...

connect ACTIVITY

Consider adding a File Attachment assignment requiring the student to develop a response to this Illustration Capsule. You can post instructions for the student within the assignment and collect their attachments for grading.

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

6. Setting Objectives at Every Organizational Levels

a. Objective setting should not stop with top management's establishing of companywide performance targets.

b. Each area of the organization does its part and contributes directly to the desired companywide outcomes and results.

c. This means setting performance targets for each organization unit that support, rather than conflict with or negate, the achievement of companywide strategic and financial objectives.

V. Stage 3: Crafting a Strategy

connect ACTIVITY

Consider adding a LearnSmart assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

1. Strategy is the result of piecing together critical 'how' statements such as how to attract and please customers, how to compete against key rivals, how to position the company in the marketplace, and many more. Speed and entrepreneurship are key elements in growing in fast paced markets. Therefore, strategy formulation should involve Managers at all organizational levels and relies on innovative thinking.

2. In most companies, crafting strategy is a *collaborative team effort* that includes managers in various positions and at various organizational levels. Crafting strategy is rarely something only high-level executives do.

CORE CONCEPT

Corporate strategy establishes an overall game plan for managing a *set of businesses* in a diversified, multi-business company.

Business strategy is primarily concerned with strengthening the company's market position and building competitive advantage in a single business company or a single business unit of a diversified multi-business corporation.

3. The larger and more diverse the operations of an enterprise, the more points of strategic initiative it will have and the more managers at different organizational levels will have a relevant strategy-making role. Figure 2.2, A Company's Strategy Making Hierarchy illustrates this concept.

4. A Company's Strategy Making Hierarchy - In these diversified, multi-business companies where the strategies of several different businesses have to be managed, the strategy-making task involves four distinct types or levels of strategy, each of which involves different facets of the company's overall strategy:

a. Corporate strategy establishes an overall game plan for managing a set of businesses in a diversified, multi-business company.

b. Business strategy is primarily concerned with strengthening the company's market position and building competitive advantage in a single business company or a single business unit of a diversified multi-business corporation.

c. Functional-area strategies concern the actions related to particular functions or processes within a business.

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

d. Operating strategies concern the relatively narrow strategic initiatives and approaches for managing key operating units.

5. In single-business enterprises, the corporate and business levels of strategy making merge into one level—business strategy. Thus, a single-business enterprise has only three levels of strategy:

   a. Business strategy for the company as a whole.

   b. Functional-area strategies for each main area within the business.

   c. Operating strategies undertaken by lower echelon managers to flesh out strategically significant aspects for the company's business and functional-area strategies.

6. Uniting the Strategy-Making Hierarchy

   a. Ideally, the pieces and layers of a company's strategy should fit together like a jigsaw puzzle. Anything less than a unified collection of strategies weakens company performance.

   b. Achieving unity in strategy making is partly a function of communicating the company's basic strategy theme effectively across the whole organization and establishing clear strategic principles and guidelines for lower-level strategy making.

7. A Strategic Vision + Objectives + Strategy = A Strategic Plan

   a. Developing a strategic vision, setting objectives, and crafting a strategy are basic direction-setting tasks. Together, they constitute a strategic plan for coping with industry and competitive conditions, the expected actions of the industry's key players, and the challenges and issues that stand as obstacles to the company's success.

> **CORE CONCEPT**
>
> A **strategic plan** lays out the company's future direction, performance targets, and strategy.

   b. In companies committed to regular strategy reviews and the development of explicit strategic plans, the **strategic plan** may take the form of a written document that is circulated to managers and perhaps, to selected employees.

   c. In small, privately owned companies, it is rare for strategic plans to exist in written form.

VI. Stage 4: Executing the Strategy

connect ACTIVITY

Consider adding a LearnSmart assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

1. Managing the implementation of a strategy is easily the most demanding and time consuming part of the strategy management process.

2. Converting strategic plans into actions and results tests a manager's ability to direct organizational action, motivate people, build and strengthen competitive capabilities, create and nurture a strategy-supportive work climate, and meet or beat performance targets.

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

3. In most situations, managing the strategy execution process includes the following principal aspects:
   - Creating a strategy-supporting structure.
   - Staffing the organization to obtain needed skills and expertise.
   - Developing and strengthening strategy-supporting resources and capabilities.
   - Allocating ample resources to the activities critical to strategic success.
   - Ensuring that policies and procedures facilitate effective strategy execution.
   - Organizing the work effort along the lines of best practice.
   - Installing information and operating systems that enable company personnel to perform essential activities.
   - Motivating people and tying rewards directly to the achievement of performance objectives.
   - Creating a company culture and work climate conducive to successful strategy execution.
   - Exerting the internal leadership needed to propel implementation forward.
4. Good strategy execution requires diligent pursuit of operating excellence and it is a job for a company's whole management team.

VII. Stage 5: Evaluating Performance and Initiating Corrective Adjustments

connect ACTIVITY

Consider adding a LearnSmart assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

1. The fifth phase of the strategy-management process, monitoring new external developments, evaluating the company's progress, and making corrective adjustments, is the trigger point for deciding whether to continue or change the company's vision and mission, objectives, strategy, and/or strategy execution methods.
2. As long as the company's strategy continues to pass the three tests of a winning strategy, simply fine-tuning the strategic plan and continuing with efforts to improve strategy execution are sufficient.

VIII. Corporate Governance: The Role of the Board of Directors in the Strategy-Making, Strategy-Executing Process

connect ACTIVITY

Consider adding a LearnSmart assignment requiring the student to review this section of the chapter as an interactive question and answer review. The assignment can be graded and posted automatically.

1. Although senior managers have lead responsibility for crafting and executing a company's strategy, it is the duty of the board of directors to exercise strong oversight and see that the five tasks of strategic management are done in a manner that benefits shareholders, in the case of investor-owned enterprises, or stakeholders, in the case of not-for-profit organizations.
2. A company's board of directors has four important obligations to fulfill:
   a. Oversee the company's financial accounting and financial reporting practices.

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

b. Critically appraise the company's direction, strategy, and business approaches.

c. Evaluate the caliber of senior executives' strategic leadership skills.

d. Institute a compensation plan for top executives that rewards them for actions and results that serve shareholder interests.

ILLUSTRATION CAPSULE 2.4

Corporate Governance Failures at Volkswagen

Discussion Question 1: In what way did the Board of Directors at Volkswagen contribute to the Emission Test scandal in 2015?

Answer: The primary cause is the absence of a strong group of independent directors. Based upon German Corporate law, governance is provided by a Management Board and a Supervisory Board, with employees making up 50% of the Supervisory Board. This should have allowed for at least 50% of the Supervisory Board to be fully independent. While staying within the 'letter of the law,' they sidestepped the 'spirit of the law' by cycling recent former senior executives through the Supervisory Board Chairmanship position and other board positions. This had the effect of removing truly independent oversight.

A secondary cause is that 50 % of voting shares are controlled by the Porsche family. Family members, acting as Chairman of the Board, will regularly remove an independent CEO and replaced them with unqualified family members. This has the effect of removing qualified and independent senior management oversight.

3. Every corporation should have a strong independent board of directors that:

   a. Is well informed about the company's performance.

   b. Guides and judges the CEO and other top executives.

   c. Has the courage to curb management actions the board believes are inappropriate or unduly risky.

   d. Certifies to shareholders that the CEO is doing what the board expects.

   e. Provides insight and advice to management.

   f. Is intensely involved in debating the pros and cons of key decisions and actions.

connect ACTIVITY

Use the Question Bank to build a quiz for the chapter to measure and reinforce learning. Consider using the questions you select to build a comprehensive mid-term and final exam for the course. The assignment can be graded and posted automatically.

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

ASSURANCE OF LEARNING EXERCISES

1. Using the information in Table 2.1, critique the adequacy and merit of the following vision statements, listing effective elements and shortcomings. Rank the vision statements from best to worst once you complete your evaluation.

connect ACTIVITY

This Assurance of Learning exercise is available as a Connect Assignment. The assignment can be graded and posted automatically.

Response:

The student should produce a table similar to the following:

Company Name	Effective Elements	Shortcomings
American Express	• Easy to Communicate • Feasible • Easy to communicate	• Vague • Not distinctive
Hilton Hotels Corporation	• Directional • Focused • Feasible • Desirable	• Not forward-looking • Not distinctive
BASF	• Directional • Focused • Desirable	• Not forward looking

The student should rank vision statements from best to worst as: Hilton Hotels Corporation, BASF, and American Express.

2. Go to the company investor relations websites for Starbucks (investor.starbucks.com), Pfizer (www.pfizer.com/investors), and Salesforce (investor.salesforce.com) to find examples of strategic and financial objectives. List four objectives for each company, and indicate which of these are strategic and which are financial

Response:

The student should identify objectives similar to the following:

Starbucks, From their 2015 Annual Report

- Revenue growth of 10 for Fiscal 2016 (financial)
- Addition of approximately 1800 new stores in 2016 with nearly half in the developing China/Asia Pacific segment (strategic)
- Improved operating profits increasing earnings per share by $0.06 per share for 2016 (financial)

Starbucks, From their 2015 Annual Letter to Shareholders

- Continue to focus on Corporate Social Responsibility and Sustainability, adding an 8th farmer support center in Mexico in 2016 (strategic)
- Full year revenue growth of 10% on a 52 week basis (financial)

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

Salesforce, From their 2015 Annual Report:

- Offer multiple versions of business solutions at different price points to target wider range of customers (Strategic)
- Focus expansion into high growth markets including marketing, communities, business intelligence, and cloud platforms (Strategic)
- Salesforce, From their Fiscal 2016 First Quarter Results:
- Increase revenue to $6.55 Billion for Fiscal 2016 (Financial)
- Increase EPS to $0.17 to $0.18 for Fiscal 2016 (Financial)

Pfizer, From their 2015 Annual Review: Improving the performance of the innovative core by transforming R&D focusing on Oncology, Inflammation & Immunology, Cardiovascular & Metabolic Disease, Neuroscience & Pain, Rare Disease, Vaccines, and Biosimilars (strategic)

Pfizer, From their 1st Quarter 2016 Results: Growth in projected revenue for 2016, up from $49B - $51B to $51B - $53B (financial)

3. American Airlines' Chapter 11 reorganization plan filed in 2012 involved the company reducing operating expenses by $2 billion, while increasing revenues by $1 billion. The company's strategy to increase revenues included expanding the number of international flights and destinations and increasing daily departures for its five largest markets by 20 percent. The company also intended to upgrade its fleet by spending $2 billion to purchase new aircraft and refurbish the first-class cabins for planes not replaced. A final component of the restructuring plan included a merger with US Airways to create a global airline with more than 56,700 daily flights to 336 destinations in 56 countries. The merger was expected to produce cost savings from synergies of more than $1 billion and result in a stronger airline capable of paying creditors and rewarding employees and shareholders. Explain why the strategic initiatives at various organizational levels and functions require tight coordination to achieve the results desired by American Airlines.

   Response:

   The student should identify that company objectives need to be broken down into performance targets for each of the organization's separate businesses, product lines, functional departments, and individual work units, employees within various functional departments, and individual work units. This is because the larger and more diverse the operations of an enterprise, the more points of strategic initiative it will have and the more managers at different organizational levels will have a relevant strategy-making role. This is illustrated in figure 2.2, A Company's Strategy Making Hierarchy.

   A careful examination of the narrative on American Airlines Chapter 11 reorganization strategy provides such an example:

   Corporate Objectives—Increase revenue by $1 billion while reducing expenses by $2 billion

   Operational Objective—Expand international flights, destinations, and daily departures in the five largest markets

   Operational Objective—Upgrade fleet with $2 billion in refurbishment and new aircraft purchases.

   Operational Objective—Complete merger with US Airways to create a global airline with 56,700 daily flights to 336 destinations in 56 countries while saving $1 billion in costs.

   The student should point out that the overall corporate objectives for revenue and cost control (thereby profit) cannot be fully realized if the operational objectives are not achieved. Further, the operational objectives are interrelated in that they rely on each other for success.

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

4. Go to the investor relations website for Walmart (http://investors.walmartstores.com) and review past presentations it has made during various investor conferences by clicking on the Events option in the navigation bar. Prepare a one- to two-page report that outlines what Walmart has said to investors about its approach to strategy execution. Specifically what has management discussed concerning staffing, resource allocation, policies and procedures, information and operating systems, continuous improvement, rewards and incentives, corporate culture, and internal leadership at the company?

   Response:

   The student should be able to identify core strategic elements focused on low cost and value:

   - Walmart Discount Stores: Wide, clean, brightly-lit aisles and shelves stocked with a variety of quality, value-priced general merchandise
   - Walmart Superstores: Convenient, one-stop family shopping featuring our famous Every Day Low Prices
   - Walmart Neighborhood Markets: quick and convenient shopping experience for customers who need groceries, pharmaceuticals, and general merchandise all at our famous Every Day Low Prices.
   - Walmart Express Stores: offer low prices every day in a smaller format store that provides convenient access for fill-in and stock-up shopping trips in rural and urban areas.
   - Marketside: Small community pilot grocery stores specializing in fresh, delicious meals at great prices.
   - Walmart.com: The convenience, great merchandise selection, friendly service and Every Day Low Prices of your neighborhood Walmart to the Internet.

   The student should be able to identify core cultural elements that impact all aspects of life as a Walmart employee (Source: http://walmartstores.com/AboutUs/295.aspx)

   - Open Door: Our management believes open communication is critical to understanding and meeting our associates' and our customers' needs. Associates can trust and rely on the open door; it's one of the most important parts of our culture.
   - Sundown Rule: Observing the Sundown Rule means we do our best to answer requests by the close of business on the day we receive them. Whether it's a request from a store across the country or a call from down the hall, we do our very best to give each other and our customers same-day service. We do this by combining our efforts and depending upon each other to get things done.
   - Grass Roots Process: Sam's philosophy lives on today in Walmart's Grass Roots Process, our formal way of capturing associates' ideas, suggestions and concerns.
   - 3 Basic Beliefs & Values: Our unique culture has helped make Walmart one of the world's most admired companies. Since Sam Walton opened Walmart in 1962, our culture has rested on three basic beliefs. We live out these beliefs each day in our interactions with our customers and each other.
   - 10-Foot Rule: The 10-foot Rule is one of our secrets to customer service. During his many store visits, Sam Walton encouraged associates (employees) to take this pledge with him: "I promise that whenever I come within 10 feet of a customer, I will look him in the eye, greet him, and ask if I can help him."
   - Servant Leadership: Sam Walton believed that effective leaders do not lead from behind their desks. "It's more important than ever that we develop leaders who are servants, who listen to their partners—their associates—in a way that creates wonderful morale to help the whole team accomplish an overall goal," Sam said.

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

- Teamwork: Sam Walton, our founder, believed in the power of teamwork. As our stores grow and the pace of modern life quickens, that philosophy of teamwork has only become more important over the years.
- Walmart Cheer: Don't be surprised if you hear our associates shouting this enthusiastically at your local Walmart store. It's our cheer, and while it might not sound serious, we take it seriously. It's one way we show pride in our company.

5. Based on the information provided in Illustration Capsule 2.4, describe the ways in which Volkswagen did not fulfill the requirements of effective corporate governance. In what ways did the board of directors sidestep its obligations to protect shareholder interests? How could Volkswagen better select its board of directors to avoid mistakes such as the emissions scandal in 2015?

connect ACTIVITY

This Assurance of Learning exercise is available as a Connect Assignment. The assignment can be graded and posted automatically.

Response:

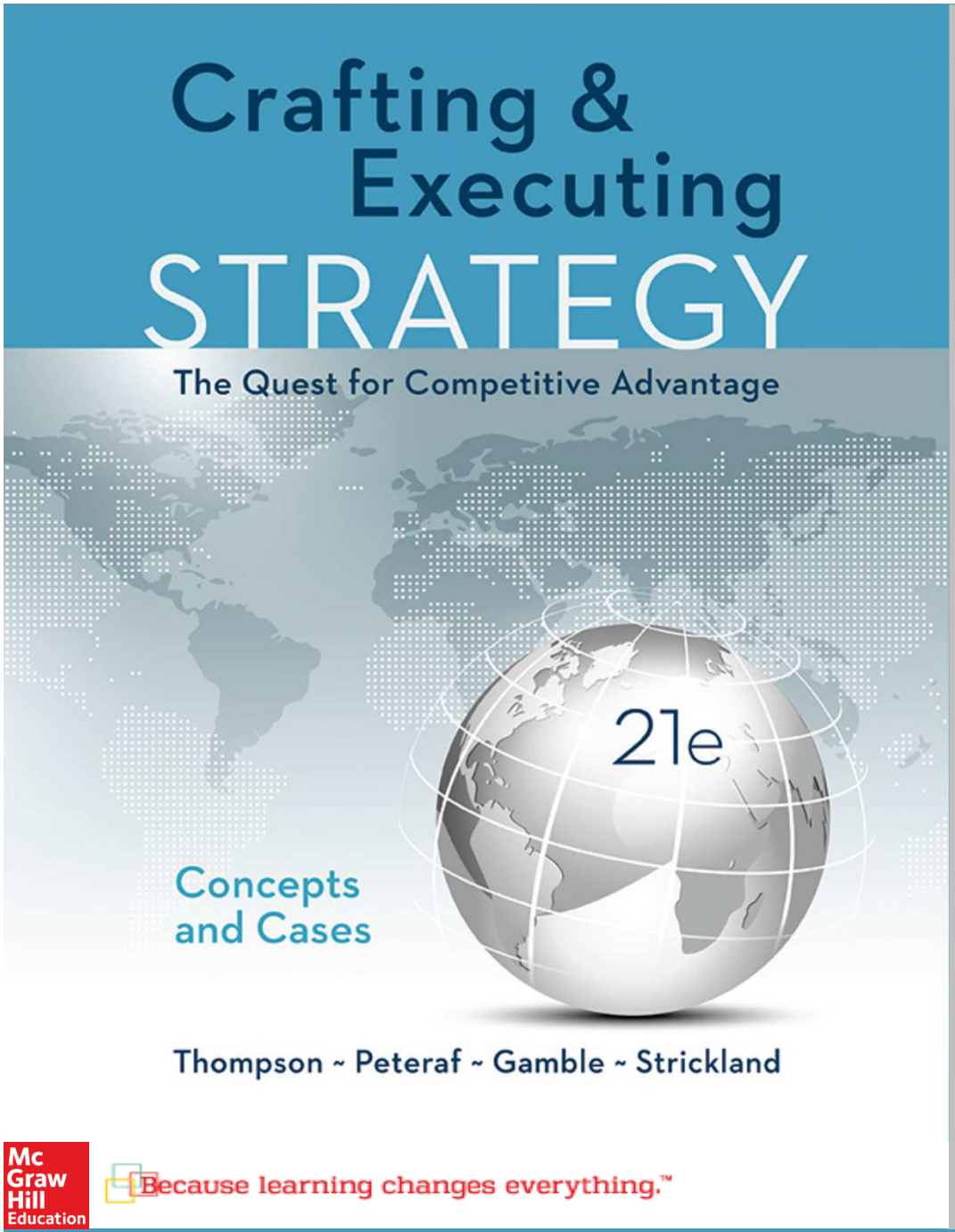
The student should be able to identify the characteristics of an effective independant Board of Directors:

- Is well informed about the company's performance.
- Guides and judges the CEO and other top executives.
- Has the courage to curb management actions the board believes are inappropriate or unduly risky.
- Certifies to shareholders that the CEO is doing what the board expects.
- Provides insight and advice to management.
- Is intensely involved in debating the pros and cons of key decisions and actions.

The student should then be able to provide a detailed discussion of the failures of the Board of Directors. Leading failures resulting in the Emmissions Scandal include:

- The primary cause is the absence of a strong group of independent directors. Based upon German Corporate law, governance is provided by a Management Board and a Supervisory Board, with employees making up 50% of the Supervisory Board. This should have allowed for at least 50% of the Supervisory Board to be fully independent. While staying within the 'letter of the law,' they sidestepped the 'spirit of the law' by cycling recent former senior executives through the Supervisory Board Chairmanship position and other board positions. This had the effect of removing truly independent oversight.
- A secondary cause is that 50% of voting shares are controlled by the Porsche family. Family members, acting as Chairman of the Board, will regularly remove an independent CEO and replaced them with unqualified family members. This has the effect of removing qualified and independent senior management oversight.

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual



Mc Graw Hill Education

Because learning changes everything.™

CHAPTER 2

Charting a Company's Direction: Its Vision, Mission, Objectives, and Strategy

Copyright © McGraw-Hill Education. Permission required for reproduction or display.

Crafting and Executing Strategy The Quest for Competitive Advantage Concepts 21st edition Thompson Solutions Manual

LEARNING OBJECTIVES

THIS CHAPTER WILL HELP YOU UNDERSTAND:

1. Why it is critical for company managers to have a clear strategic vision of where a company needs to head and why
2. The importance of setting both strategic and financial objectives
3. Why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets
4. What a company must do to achieve operating excellence and to execute its strategy proficiently
5. The role and responsibility of a company's board of directors in overseeing the strategic management process

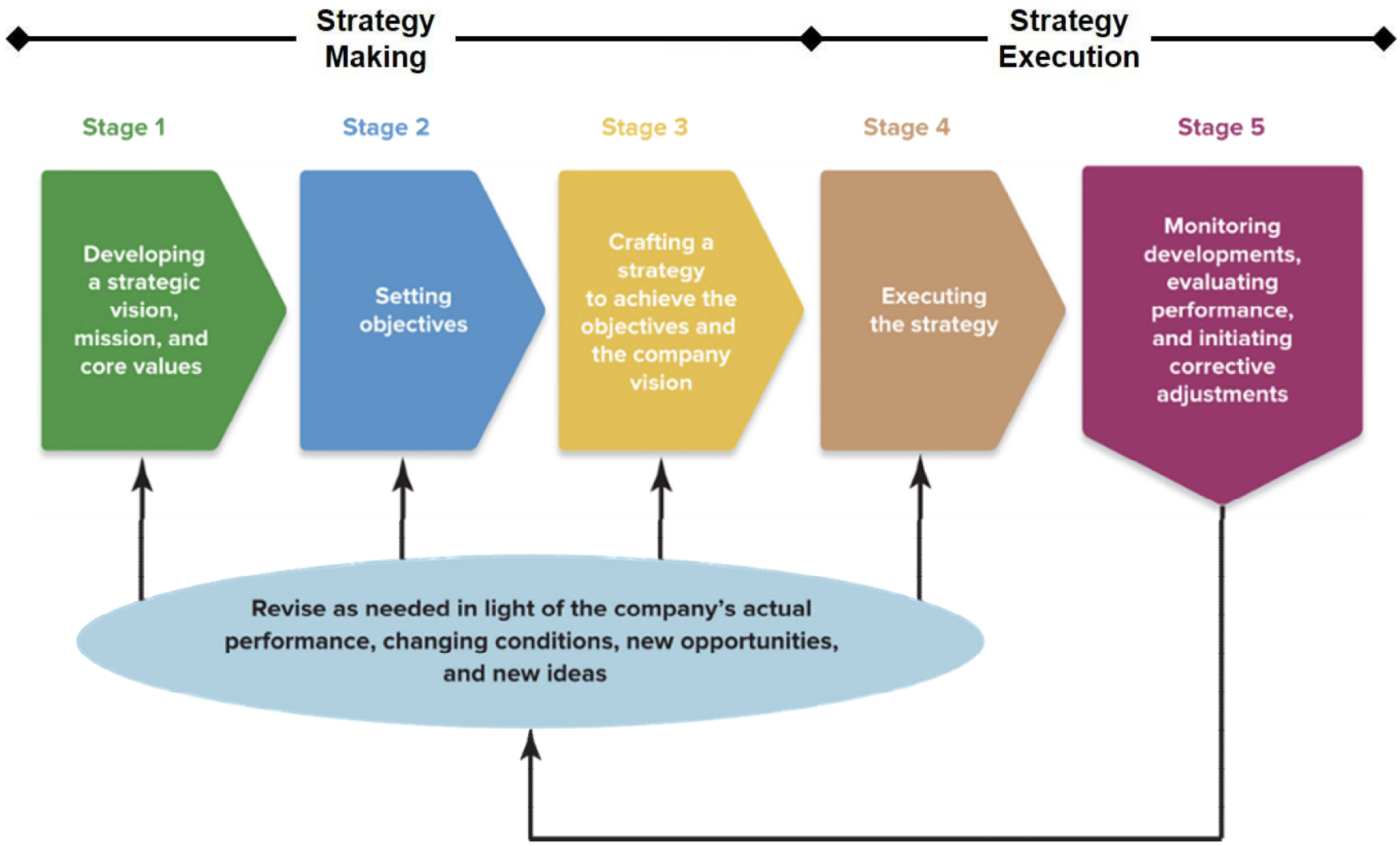
© McGraw-Hill Education.

WHAT DOES THE STRATEGY-MAKING, STRATEGY-EXECUTING PROCESS ENTAIL?

1. Developing a strategic vision, a mission statement, and a set of core values
2. Setting objectives for measuring the firm's performance and tracking its progress
3. Crafting a strategy to move the firm along its strategic course and achieve its objectives
4. Executing the chosen strategy efficiently and effectively
5. Monitoring developments, evaluating performance, and initiating corrective adjustments

© McGraw-Hill Education.

FIGURE 2.1 The Strategy-Making, Strategy-Executing Process



Jump to Appendix 1 long image description

© McGraw-Hill Education.

STRATEGIC MANAGEMENT PRINCIPLE (1 of 7)

A company's **strategic plan** lays out its future direction, performance targets, and strategy.

© McGraw-Hill Education.

STAGE 1: DEVELOPING A STRATEGIC VISION, A MISSION STATEMENT, AND A SET OF CORE VALUES

Developing a strategic vision

- Delineates management's aspirations for the firm to its stakeholders
- Provides direction: "where we are going"
- Sets out the compelling rationale (strategic soundness) for the firm's direction
- Uses *distinctive* and *specific* language to set the firm apart from its rivals

© McGraw-Hill Education.

CORE CONCEPT (1 of 8)

A **strategic vision** describes management's aspirations for the company's future and the course and direction charted to achieve them.

© McGraw-Hill Education.

TABLE 2.1 Wording a Vision Statement—the Dos and Don'ts (1 of 2)

The Dos	The Don'ts
Be graphic. Paint a clear picture of where the company is headed and the market position(s) the company is striving to stake out.	**Don't be vague or incomplete.** Never skimp on specifics about where the company is headed or how the company intends to prepare for the future.
Be forward-looking and directional. Describe the strategic course that will help the company prepare for the future.	**Don't dwell on the present.** A vision is not about what a company once did or does now; it's about "where we are going."
Keep it focused. Focus on providing managers with guidance in making decisions and allocating resources.	**Don't use overly broad language.** All-inclusive language that gives the company license to pursue any opportunity must be avoided.
Have some wiggle room. Language that allows some flexibility allows the directional course to be adjusted as market, customer, technology circumstances change.	**Don't state the vision in bland or uninspiring terms**. The best vision statements have the power to motivate company personnel and inspire shareholder confidence about the company's future.

© McGraw-Hill Education.

TABLE 2.1 Wording a Vision Statement—the Dos and Don'ts (2 of 2)

The Dos	The Don'ts
Be sure the journey is feasible. The path and direction should be within the realm of what the company can accomplish; over time, a company should be able to demonstrate measurable progress in achieving the vision.	**Don't be generic**. A vision statement that could apply to companies in any of several industries (or to any of several companies in the same industry) is not specific enough to provide any guidance.
Indicate why the directional path makes good business sense. The directional path should be in the long-term interests of stakeholders, especially shareowners, employees, and suppliers.	**Don't rely on superlatives.** Visions that claim the company's strategic course is one of being the "best" or "most successful" usually lack specifics about the path the company is taking to get there.
Make it memorable. To give the organization a sense of direction and purpose, the vision needs to be easily communicated. Ideally, it should be reducible to a few choice lines or a memorable "slogan."	**Don't run on and on.** A vision statement that is not short and to the point will tend to lose its audience.

© McGraw-Hill Education.

Examples of Strategic Visions—How Well Do They Measure Up?
(1 of 2)

Vision Statement	Effective Elements	Shortcomings
Whole Foods Whole Foods Market is a dynamic leader in the quality food business. We are a mission-driven company that aims to set the standards of excellence for food retailers. We are building a business in which high standards permeate all aspects of our company. Quality is a state of mind at Whole Foods Market. Our motto—Whole Foods, Whole People, Whole Planet—emphasizes that our vision reaches far beyond just being a food retailer. Our success in fulfilling our vision is measured by customer satisfaction, team member happiness and excellence, return on capital investment, improvement in the state of the environment and local and larger community support. Our ability to instill a clear sense of interdependence among our various stakeholders (the people who are interested and benefit from the success of our company) is contingent upon our efforts to communicate more often, more openly, and more compassionately. Better communication equals better understanding and more trust.	• Forward-looking • Graphic • Focused • Makes good business sense	• Too long • Not memorable

© McGraw-Hill Education.

Examples of Strategic Visions—How Well Do They Measure Up?
(2 of 2)

Vision Statement	Effective Elements	Shortcomings
Keurig Become the world's leading personal beverage systems company.	• Focused • Flexible • Makes good business sense	• Not graphic • Lacks specifics • Not forward-looking
Nike NIKE, Inc. fosters a culture of invention. We create products, services and experiences for today's athlete* while solving problems for the next generation. *If you have a body, you are an athlete.	• Forward-looking • Flexible	• Vague and lacks detail • Not focused • Generic • Not necessarily feasible

© McGraw-Hill Education.

Strategic Vision Examples—How Well Do They Measure Up?

- For which of these businesses is it the most difficult to create a vision statement?
- How does the scope of a business affect the language of its vision statement?
- How would you reword the Whole Foods mission statement to reduce it to less than 100 words? (Currently = 154 words)

© McGraw-Hill Education.

COMMUNICATING THE STRATEGIC VISION

Why communicate the vision?

- Fosters employee commitment to the firm's chosen strategic direction
- Ensures understanding of its importance
- Motivates, informs, and inspires internal and external stakeholders
- Demonstrates top management support for the firm's future strategic direction and competitive efforts

© McGraw-Hill Education.

STRATEGIC MANAGEMENT PRINCIPLE (2 of 7)

An effectively communicated vision is a valuable management tool for enlisting the commitment of company personnel to engage in actions that move the company forward in the intended direction.

© McGraw-Hill Education.

PUTTING THE STRATEGIC VISION IN PLACE

- Put the vision in writing and distribute it.
- Hold meetings to personally explain the vision and its rationale.
- Create a memorable slogan or phrase that effectively expresses the essence of the vision.
- Emphasize the positive payoffs for making the vision happen.

© McGraw-Hill Education.

WHY A SOUND, WELL-COMMUNICATED STRATEGIC VISION MATTERS

- It crystallizes senior executives' own views about the firm's long-term direction.
- It reduces the risk of rudderless decision making.
- It is a tool for winning the support of organization members to help make the vision a reality.
- It provides a beacon for lower-level managers in setting departmental objectives and crafting departmental strategies that are in sync with the firm's overall strategy.
- It helps an organization prepare for the future.

© McGraw-Hill Education.

DEVELOPING A COMPANY MISSION STATEMENT

- The mission statement:
  - Uses specific language to give the firm its own unique identity
  - Describes the firm's current business and purpose—"who we are, what we do, and why we are here"
  - Should focus on describing the firm's business, not on "making a profit"—earning a profit is an objective not a mission

© McGraw-Hill Education.

STRATEGIC MANAGEMENT PRINCIPLE (3 of 7)

The distinction between a strategic vision and a mission statement is fairly clear-cut.

- **A strategic vision** portrays a firm's aspirations for its *future* ("where we are going").
- A firm's **mission** describes the scope and purpose of its *present* business ("who we are, what we do, and why we are here").

© McGraw-Hill Education.

THE IDEAL MISSION STATEMENT

- Identifies the firm's product or services
- Specifies the buyer needs it seeks to satisfy
- Identifies the customer groups or markets it is endeavoring to serve
- Specifies its approach to pleasing customers
- Sets the firm apart from its rivals
- Clarifies the firm's business to stakeholders

© McGraw-Hill Education.

LINKING THE VISION AND MISSION WITH CORE VALUES

- Core values
  - Are the beliefs, traits, and behavioral norms that employees are expected to display in conducting the firm's business and in pursuing its strategic vision and mission
  - Become an integral part of the firm's culture and what makes it tick when strongly espoused and supported by top management
  - Match the firm's vision, mission, and strategy, contributing to the firm's business success

© McGraw-Hill Education.

CORE CONCEPT (2 of 8)

A firm's **core values** are the beliefs, traits, and behavioral norms that the firm's personnel are expected to display in conducting the firm's business and pursuing its strategic vision and mission.

© McGraw-Hill Education.

Patagonia, Inc.: A Values-Driven Company (1 of 2)

- Patagonia's mission statement
  - Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis
- Patagonia's core values
  - **Quality:** Pursuit of ever-greater quality in everything we do
  - **Integrity**: Relationships built on integrity and respect
  - **Environmentalism**: Serve as a catalyst for personal and corporate action
  - **Not Bound by Convention**: Our success—and much of the fun—lies in developing innovative ways to do things

© McGraw-Hill Education.

Patagonia, Inc.: A Values-Driven Company (2 of 2)

- Examining Patagonia's core values
  - How do Patagonia's core values reflect the value it places on its human capital?
  - What effects do Patagonia's core values have on its hiring practices?
  - How does Patagonia's relentless attention to the management of its supply chain support its core values?
  - Why has Patagonia been successful in holding its contract manufacturers accountable when other firms have not?

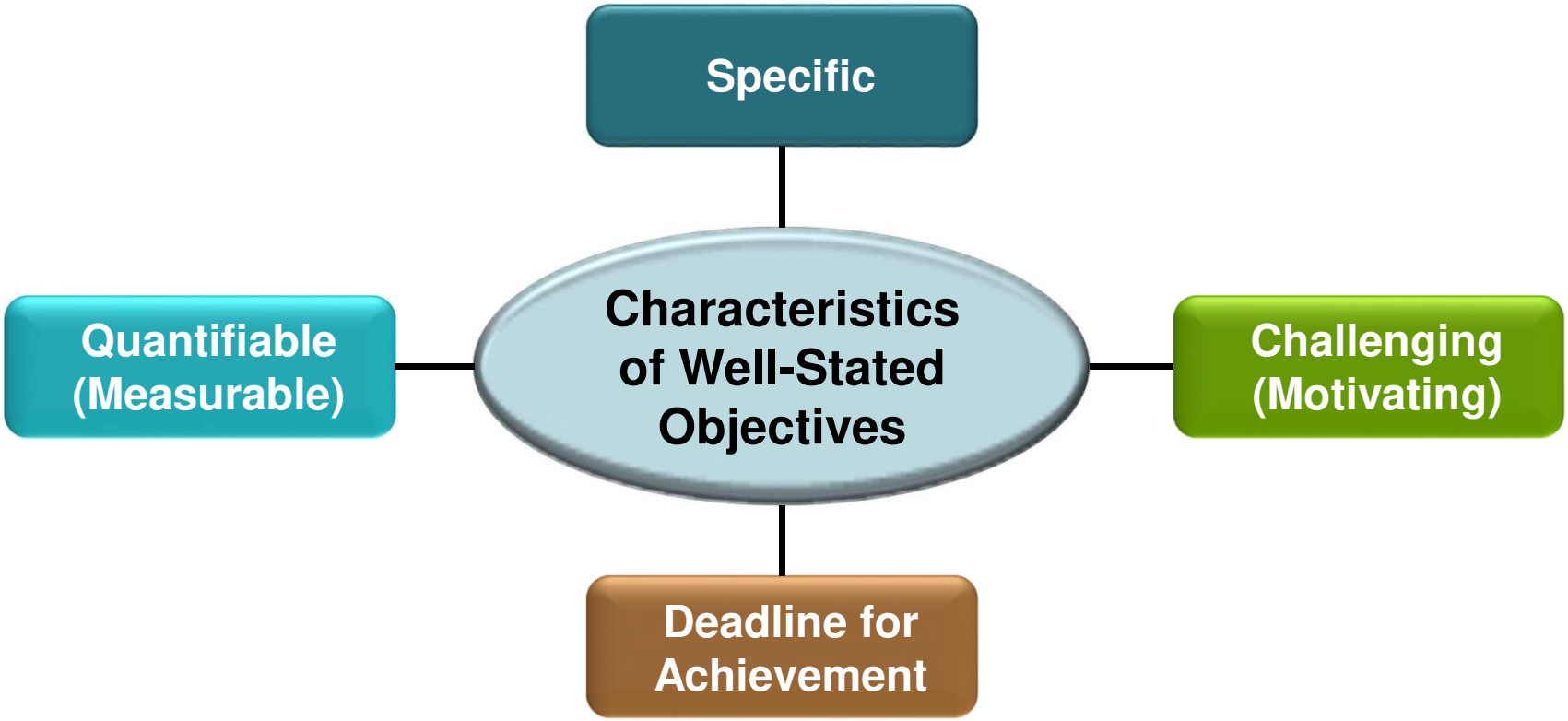
© McGraw-Hill Education.

STAGE 2: SETTING OBJECTIVES

- The purposes of setting objectives
  - To convert the vision and mission into specific, measurable, challenging and timely performance targets
  - To focus efforts and align actions throughout the organization
  - To serve as yardsticks for tracking a firm's performance and progress
  - To provide motivation and inspire employees to greater levels of effort

© McGraw-Hill Education.

CONVERTING THE VISION AND MISSION INTO SPECIFIC PERFORMANCE TARGETS



Jump to Appendix 2 long image description

© McGraw-Hill Education.

CORE CONCEPTS (3 of 8)

Objectives are an organization's performance targets—the specific results management wants to achieve.

Stretch objectives set performance targets high enough to *stretch* an organization to reach its full potential and deliver the best possible results.

© McGraw-Hill Education.

CORE CONCEPT (4 of 8)

A company exhibits **strategic intent** when it relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective.

© McGraw-Hill Education.

CHARACTERISTICS OF STRATEGIC INTENT

- Indicates firm's intent to making *quantum gains* in competing against key rivals and to establishing itself as a winner in the marketplace, often against long odds.
- Involves establishing a *grandiose performance target* out of proportion to immediate capabilities and market position, but then devoting the firm's full resources and energies to achieving the target over time.
- Entails *sustained, aggressive actions* to take market share away from rivals and achieve a much stronger market position.

© McGraw-Hill Education.

THE IMPERATIVE OF SETTING STRETCH OBJECTIVES

- Setting stretch objectives promotes better overall performance because stretch targets:
  - Push a firm to be more inventive.
  - Increase the urgency for improving financial performance and competitive position.
  - Cause the firm to be more intentional and focused in its actions.
  - Act to prevent internal inertia and contentment with modest to average gains in performance.

© McGraw-Hill Education.

THE NEED FOR SHORT-TERM AND LONG-TERM OBJECTIVES

- Short-Term Objectives:
  - Focus attention on quarterly and annual performance improvements to satisfy near-term shareholder expectations.
- Long-Term Objectives:
  - Force consideration of what to do now to achieve optimal long-term performance.
  - Stand as a barrier to an undue focus on short-term results.

© McGraw-Hill Education.

CORE CONCEPTS (5 of 8)

Financial objectives relate to the financial performance targets management has established for the organization to achieve.

Strategic objectives relate to target outcomes that indicate a company is strengthening its market standing, competitive position, and future business prospects.

© McGraw-Hill Education.

WHAT KINDS OF OBJECTIVES TO SET

- Financial Objectives
  - Communicate top management's goals for financial performance.
  - Are focused internally on the firm's operations and activities.
- Strategic Objectives
  - Are the firm's goals related to marketing standing and competitive position.
  - Are focused externally on competition vis-à-vis the firm's rivals.

© McGraw-Hill Education.

SETTING FINANCIAL OBJECTIVES

- An *x* percent increase in annual revenues
- Annual increases in after-tax profits *of x* percent
- Annual increases in earnings per share of *x* percent
- Annual dividend increases of *x* percent
- Profit margins of *x* percent
- An *x* percent return on capital employed (ROCE) or return on shareholders' equity investment (ROE)
- Increased shareholder value—in the form of an upward-trending stock price
- Bond and credit ratings of *x*
- Internal cash flows of *x* dollars to fund new capital investment

© McGraw-Hill Education.

SETTING STRATEGIC OBJECTIVES

- Winning an *x* percent market share
- Achieving lower overall costs than rivals
- Overtaking key competitors on product performance or quality or customer service
- Deriving *x* percent of revenues from the sale of new products introduced within the past five years
- Having broader or deeper technological capabilities than rivals
- Having a wider product line than rivals
- Having a better-known or more powerful brand name than rivals
- Having stronger national or global sales and distribution capabilities than rivals
- Consistently getting new or improved products to market ahead of rivals

© McGraw-Hill Education.

CORE CONCEPT (6 of 8)

The **Balanced Scorecard** is a widely used method for combining the use of both strategic and financial objectives, tracking their achievement, and giving management a more complete and balanced view of how well an organization is performing.

© McGraw-Hill Education.

THE NEED FOR A BALANCED APPROACH TO OBJECTIVE SETTING

- A balanced scorecard measures a firm's optimal performance by:
  - Placing a balanced emphasis on achieving both financial and strategic objectives.
  - Tracking both measures of financial performance and measures of whether a firm is strengthening its competitiveness and market position.

© McGraw-Hill Education.

GOOD STRATEGIC PERFORMANCE IS THE KEY TO BETTER FINANCIAL PERFORMANCE

- Good financial performance is not enough:
  - Current financial results are lagging indicators of past decisions and actions which does not translate into a stronger competitive capability for delivering better financial results in the future.
  - Setting and achieving stretch strategic objectives signals a firm's growth in both competitiveness and strength in the marketplace.
  - Good strategic performance is a leading indicator of a firm's increasing capability to deliver improved future financial performance.

© McGraw-Hill Education.

SETTING OBJECTIVES FOR EVERY ORGANIZATIONAL LEVEL

- Breaks down performance targets for each of the organization's separate units.
- Fosters setting performance targets that support achievement of firm-wide strategic and financial objectives.
- Extends the top-down objective-setting process to all organizational levels.

© McGraw-Hill Education.

EXAMPLES OF COMPANY OBJECTIVES

- United Parcel Service, Alcoa, Yum! Brands
  - Which company included the most specific strategic objectives in its listing of objectives?
  - Which company has the shortest-term focus based on its objectives? Which has the longest-term focus?
  - Which company's listing of objectives appears to best fit the balanced scorecard concept?

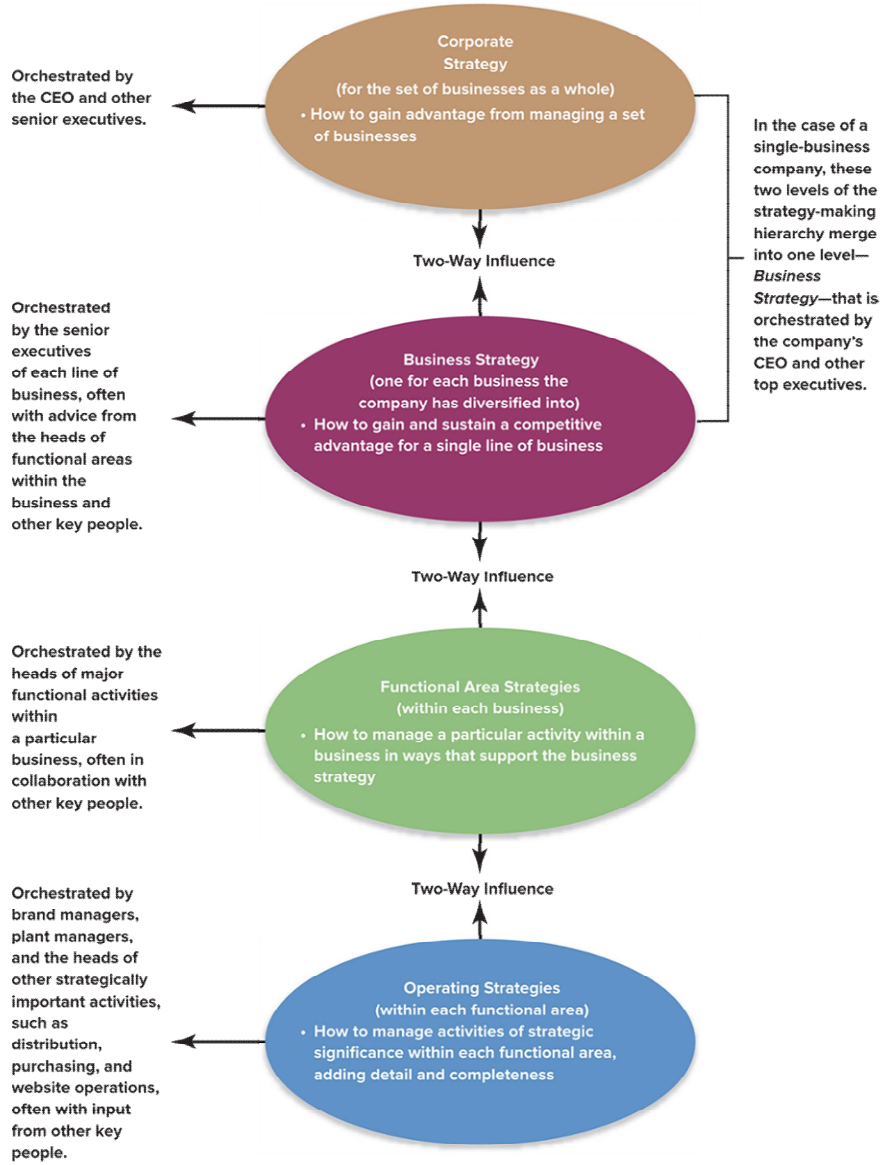
© McGraw-Hill Education.

STAGE 3: CRAFTING A STRATEGY

- Strategy making:
  - Addresses a series of strategic how's.
  - Requires choosing among strategic alternatives.
  - Promotes actions to do things differently from competitors rather than running with the herd.
  - Is a collaborative team effort that involves managers in various positions at all organizational levels.

© McGraw-Hill Education.

FIGURE 2.2 A Company's Strategy-Making Hierarchy



Jump to Appendix 3 long image description

© McGraw-Hill Education.

STRATEGY MAKING INVOLVES MANAGERS AT ALL ORGANIZATIONAL LEVELS

- Chief executive officer (CEO)
  - Has ultimate responsibility for leading the strategy-making process as strategic visionary and chief architect of strategy
- Senior executives
  - Fashion the major strategy components involving their areas of responsibility
- Managers of subsidiaries, divisions, geographic regions, plants, and other operating units (and key employees with specialized expertise)
  - Utilize on-the-scene familiarity with their business units to orchestrate their specific pieces of the strategy

© McGraw-Hill Education.

STRATEGIC MANAGEMENT PRINCIPLE (4 of 7)

In most firms, crafting and executing strategy is a **collaborative team** effort in which every manager has a role for the area he or she heads; it is rarely something that only high-level managers do.

© McGraw-Hill Education.

WHY IS STRATEGY-MAKING OFTEN A COLLABORATIVE PROCESS?

- The many complex strategic issues involved and multiple areas of expertise required can make the strategy-making task too large for one person or a small executive group.
- When operations involve different products, industries and geographic areas, strategy-making authority must be delegated to functional and operating unit managers such that *all managers have a strategy-making role—ranging from major to minor—for the area they head!*

© McGraw-Hill Education.

A FIRM'S STRATEGY-MAKING HIERARCHY (1 of 2)

- Corporate strategy
  - Multi-business strategy—how to gain synergies from managing a portfolio of businesses together rather than as separate businesses
- Business strategy
  - How to strengthen market position and gain competitive advantage
  - Actions to build competitive capabilities of single businesses
  - Monitoring and aligning lower-level strategies

© McGraw-Hill Education.

A FIRM'S STRATEGY-MAKING HIERARCHY (2 of 2)

- Functional area strategies
  - Add relevant detail to the ***"hows"*** of business strategy
  - Provide a game plan for managing a particular activity in ways that support the business strategy
- Operational strategies
  - Add detail and completeness to business and functional strategies
  - Provide a game plan for managing specific operating activities with strategic significance

NOTE: These four strategies all impact each other.

© McGraw-Hill Education.

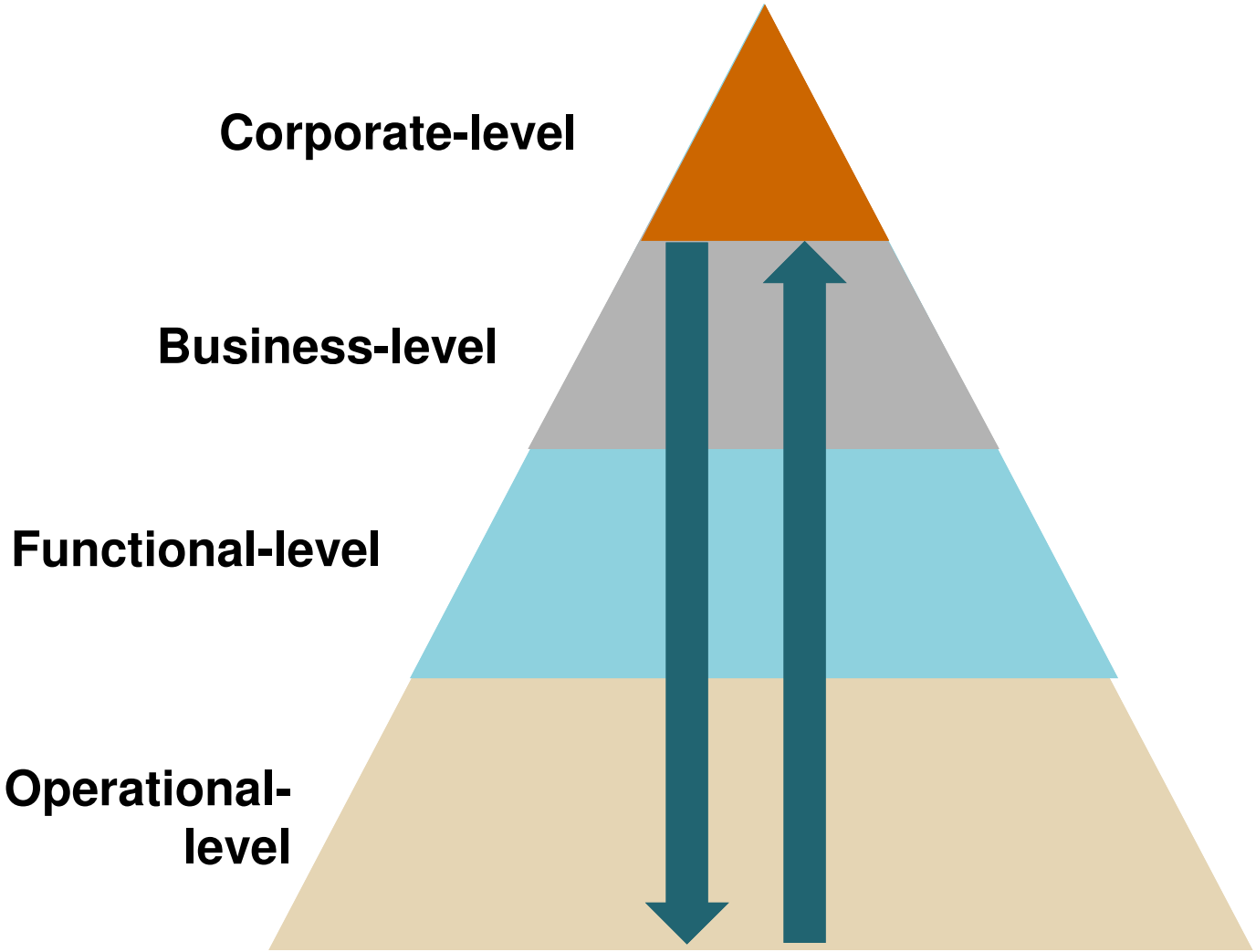
CORE CONCEPTS (7 of 8)

Corporate strategy is strategy at the *multi-business level*, concerning how to improve company performance or gain competitive advantage by managing a set of businesses simultaneously.

Business strategy is strategy at the *single-business level*, concerning how to improve the performance or gain a competitive advantage in a particular line of business.

© McGraw-Hill Education.

UNITING THE STRATEGY-MAKING HIERARCHY



Jump to Appendix 4 long image description

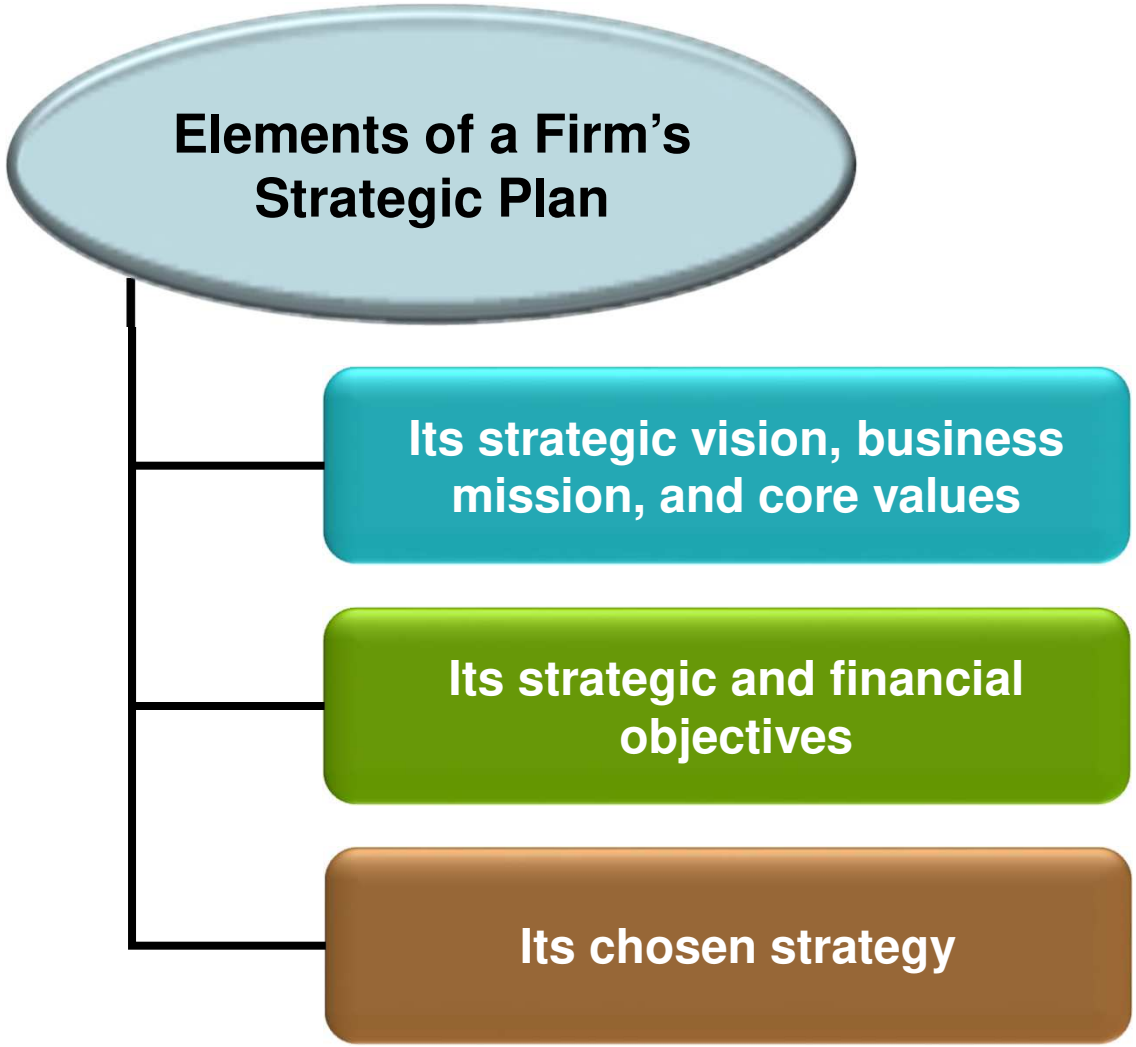
© McGraw-Hill Education.

STRATEGIC MANAGEMENT PRINCIPLE (5 of 7)

- A firm's strategy is at full power only when many pieces of the strategy are united.
  - Anything less than a unified collection of strategies weakens the overall strategy and is likely to impair company performance.

© McGraw-Hill Education.

A STRATEGIC VISION + MISSION + OBJECTIVES + STRATEGY = A STRATEGIC PLAN



Jump to Appendix 5 long image description

© McGraw-Hill Education.

CORE CONCEPT (8 of 8)

A company's **strategic plan** lays out its future direction, business model, performance targets, and competitive strategy.

© McGraw-Hill Education.

STAGE 4: EXECUTING THE STRATEGY

- Converting strategic plans into actions requires:
  - Directing organizational action
  - Motivating people
  - Building and strengthening the firm's competencies and competitive capabilities
  - Creating and nurturing a strategy-supportive work climate
  - Meeting or beating performance targets

© McGraw-Hill Education.

MANAGING THE STRATEGY EXECUTION PROCESS (1 of 2)

- Creating a strategy-supporting structure
- Staffing the firm with the needed skills and expertise
- Developing and strengthening strategy-supporting resources and capabilities
- Allocating ample resources to the activities critical to strategic success
- Ensuring that policies and procedures facilitate effective strategy execution
- Organizing work effort to achieve best practices

© McGraw-Hill Education.

MANAGING THE STRATEGY EXECUTION PROCESS (2 of 2)

- Installing information and operating systems that enable company personnel to perform essential activities
- Motivating people and tying rewards and incentives directly to the achievement of performance objectives
- Creating a company culture conducive to successful strategy execution
- Exerting the internal leadership needed to propel implementation forward

© McGraw-Hill Education.

STAGE 5: EVALUATING PERFORMANCE AND INITIATING CORRECTIVE ADJUSTMENTS

- Evaluating performance
  - Deciding whether the enterprise is passing the three tests of a winning strategy—good fit, competitive advantage, strong performance.
- Initiating corrective adjustment
  - Deciding whether to continue or change the firm's vision and mission, objectives, strategy, and strategy execution methods
  - Applying lessons based on organizational learning

© McGraw-Hill Education.

STRATEGIC MANAGEMENT PRINCIPLE (6 of 7)

A company's vision, mission, objectives, strategy, and approach to strategy execution are never final; reviewing whether and when to make revisions is an ongoing process.

© McGraw-Hill Education.

THE ROLE OF THE BOARD OF DIRECTORS IN CORPORATE GOVERNANCE

- Obligations of the board of directors:
  - Oversee the firm's financial accounting and reporting practices compliance with GAAP principles
  - Critically appraise the firm's direction, strategy, and business approaches
  - Evaluate the caliber of senior executives' strategic leadership skills
  - Institute a compensation plan that rewards top executives for actions and results that serve stakeholder interests—especially shareholders.

© McGraw-Hill Education.

ACHIEVING EFFECTIVE CORPORATE GOVERNANCE

- A strong, independent board of directors:
  - Is well informed about the firm's performance
  - Guides and judges the CEO and other executives
  - Can curb management actions the board believes are inappropriate or unduly risky
  - Can certify to shareholders that the CEO is doing what the board expects
  - Provides insight and advice to top management
  - Is intensely involved in debating the pros and cons of key strategic decisions and actions

© McGraw-Hill Education.

STRATEGIC MANAGEMENT PRINCIPLE (7 of 7)

Effective corporate governance requires the board of directors to oversee the company's strategic direction, evaluate its senior executives, handle executive compensation, and oversee financial reporting practices.

© McGraw-Hill Education.

CORPORATE GOVERNANCE FAILURE AT VOLKSWAGEN

- Why does the VW advisory board refuse to accept responsibility for the continuing series of management scandals that have plagued the firm for the past two decades?
- How has the government-mandated two-tier governance structure promoted misconduct in the organization?
- What must be changed at VW to restore stakeholder confidence in the firm?

© McGraw-Hill Education.

Appendix 1 Figure 2.1 The Strategy-Making, Strategy-Executing Process

- The five stages of the process are:
  1. Developing a strategic vision, mission, and core values
  2. Setting objectives
  3. Crafting a strategy to achieve the objectives and the firm's vision
  4. Executing the strategy
  5. Monitoring developments, evaluating performance, and initiating corrective adjustments
- Stages 1, 2 and 3 are considered strategy making.
- Stages 4 and 5 are where strategy execution occurs.
- Additionally, stages 1 through 4 must be revised as needed in light of the firm's actual performance, changing conditions, new opportunities, and new ideas.

© McGraw-Hill Education.

Return to slide

Appendix 2: Converting the Vision and Mission into Specific Performance Targets

- Characteristics of well-stated objectives:
  - Quantifiable (measurable)
  - Specific (what must be done)
  - Challenging (motivating)
  - Deadline for achievement

Return to slide

© McGraw-Hill Education.

Appendix 3: Figure 2.2
A Company's Strategy-Making Hierarchy

Each level has influence with the level above and below it.

- Corporate strategy (for the business as a whole)
  - Corporate strategy is orchestrated by the CEO and other senior executives.
- Business strategy (one for each business the company has diversified into)
  - Business strategy is orchestrated by the senior executives of each line of business, often with advice from the heads of functional areas within the business and other key people.
- Functional area strategies (within each business)
  - Functional area strategies are orchestrated by the heads of the major functional activities within a particular business, often in collaboration with other key people.
- Operating strategies (within each functional area)
  - Operating strategies are orchestrated by brand managers, plant managers, and the heads of other strategically important activities, such as distribution, purchasing, and website operations, often with input from other key people.

In the case of a single-business company, corporate and business merge into one level.

Return to slide

© McGraw-Hill Education.

Appendix 4: Uniting the Strategy-Making Hierarchy

- A pyramid is shown with operational level at the bottom, progressing upward to functional level, business level, and at the top, corporate level.
- In the center of the pyramid are two arrows, one pointing up and the other pointing down indicating the participation of managers at all levels in the organization in the strategy-making process.

Return to slide

© McGraw-Hill Education.

Appendix 5: A Strategic Vision + Mission + Objectives + Strategy = A Strategic Plan

- The elements of a firm's strategic plan are:
  - Its strategic vision, business mission, and core values
  - Its strategic and financial objectives
  - Its chosen strategy

© McGraw-Hill Education.

Return to slide