

Introduction to Strategic Management

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Key concepts, processes, and tools for creating and sustaining competitive advantage.

1. What Is Strategic Management?

Element	Description
Definition	The systematic analysis, planning, implementation, and control of actions that enable an organization to achieve its long-term goals.
Scope	Encompasses strategy formulation (what to do) and strategy implementation (how to do it).
Purpose	Aligns resources with the external environment, creates value, and secures a sustainable competitive advantage.
Level of Application	• Corporate level – overall scope, diversification, portfolio decisions. • Business (competitive) level – how to compete in a particular market. • Functional level – translating business strategy into specific departmental actions (marketing, finance, HR, etc.).

2. The Strategic Management Process

1. Environmental Scanning

- **External analysis** – PESTEL, industry forces, competitor mapping.
- **Internal analysis** – Resources, capabilities, core competencies, VRIO framework.

2. Strategy Formulation

- **Mission & Vision** – Guiding purpose and future aspiration.
- **Objectives** – SMART (Specific, Measurable, Achievable, Relevant, Time-bound).
- **Strategic Choices** – Cost leadership, differentiation, focus, diversification, vertical integration, alliances, etc.

3. Strategy Implementation

- **Structure & Design** – Organizational hierarchy, matrix, network.

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- **Leadership & Culture** – Change management, communication, empowerment.
- **Resource Allocation** – Budgeting, talent deployment, technology investment.

4. Evaluation & Control

- **Performance metrics** – Financial (ROI, ROE), non-financial (customer satisfaction, market share).
 - **Feedback loops** – Balanced Scorecard, KPIs, strategic audits.
 - **Corrective actions** – Adjust tactics, revisit assumptions, re-allocate resources.
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3. Core Analytical Tools

Tool	Primary Use	Typical Output
PESTEL	Scan macro-environment (Political, Economic, Social, Technological, Environmental, Legal).	List of external forces influencing opportunities/threats.
Porter's Five Forces	Assess industry attractiveness and competitive pressure.	Rating of each force (high/medium/low) & overall industry profitability.
SWOT	Combine internal strengths/weaknesses with external opportunities/threats.	Strategic options: SO (growth), WO (re-position), ST (defense), WT (withdrawal).
VRIO	Test resources for Value, Rarity, Imitability, Organization .	Identification of sustainable competitive advantages.
Value Chain	Map primary & support activities to locate cost or differentiation sources.	Cost drivers, differentiation points, improvement opportunities.
BCG / GE/McKinsey Matrix	Portfolio analysis for resource allocation.	Classification of business units (Stars, Cash Cows, Question Marks, Dogs).
Balanced Scorecard	Translate strategy into operational metrics across four perspectives (Financial, Customer, Internal Processes, Learning & Growth).	KPI dashboard aligned with strategic objectives.

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4. Types of Strategies

Level	Strategy	Example
	Corporate Diversification – entering new industries.	A consumer?electronics firm acquires a health?tech startup.
	Vertical Integration – control of upstream/downstream activities.	