

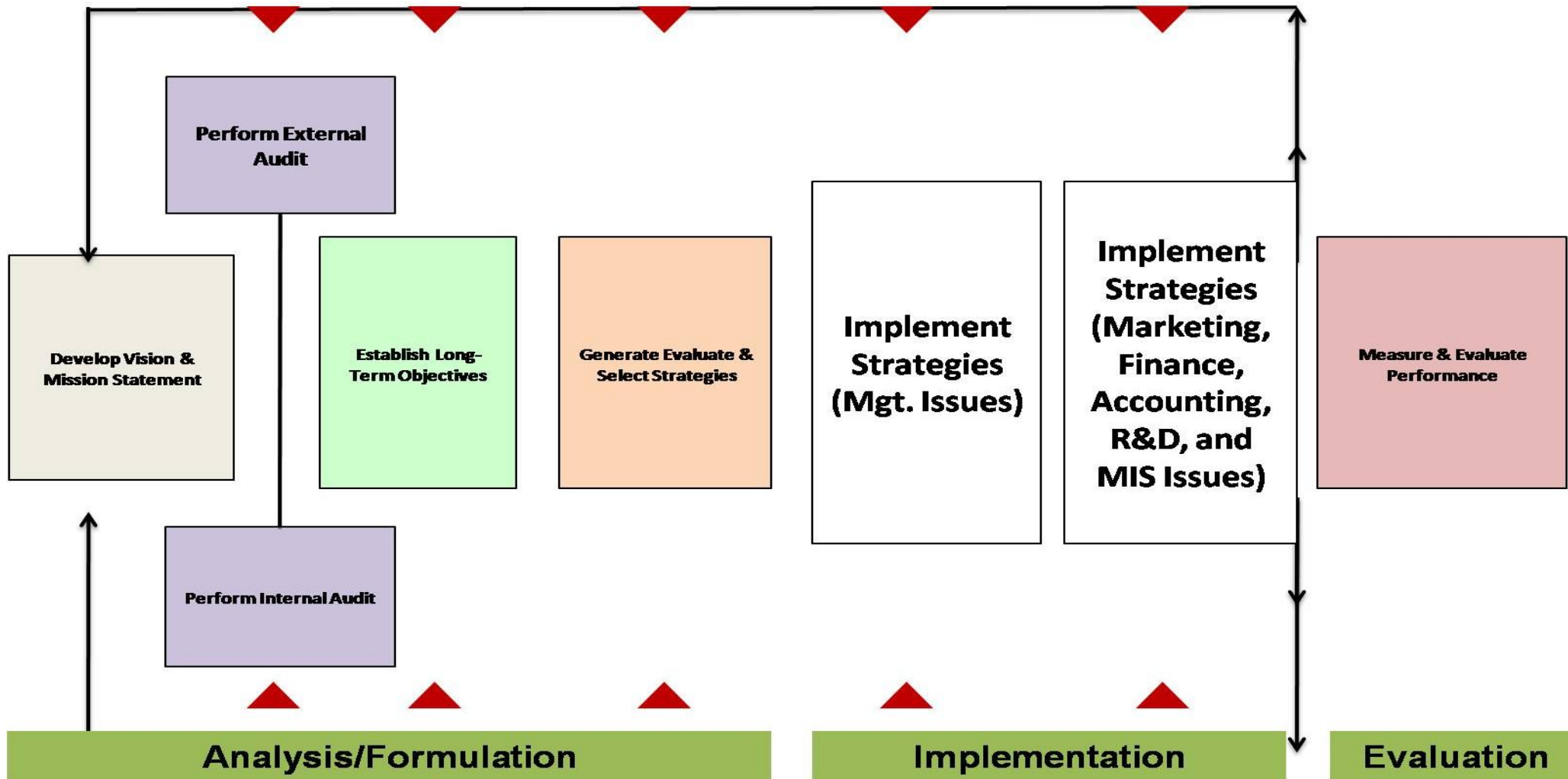
Strategy Implementation



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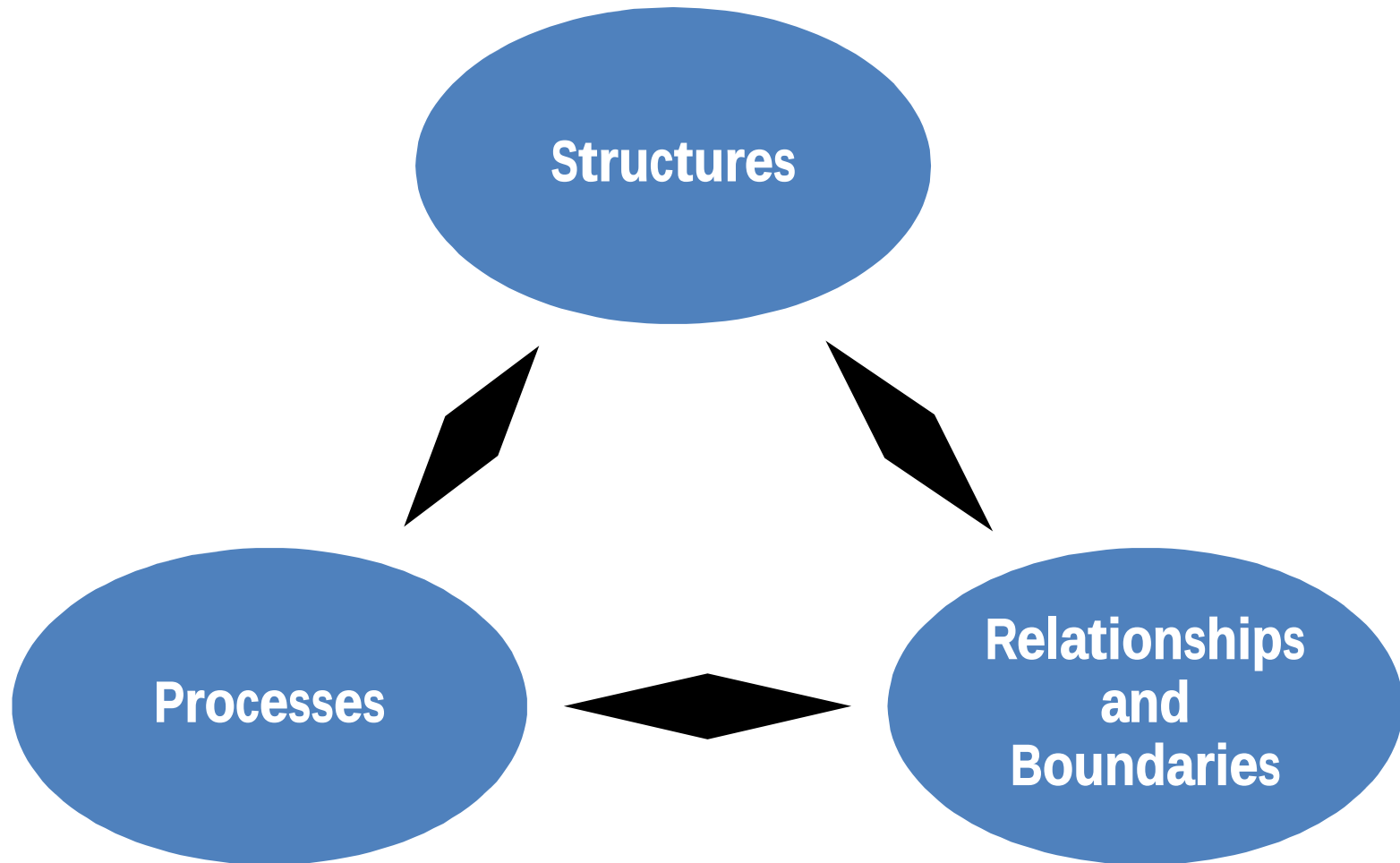
Strategic Management Model



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Organizing for Success



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Matching Structure with Strategy

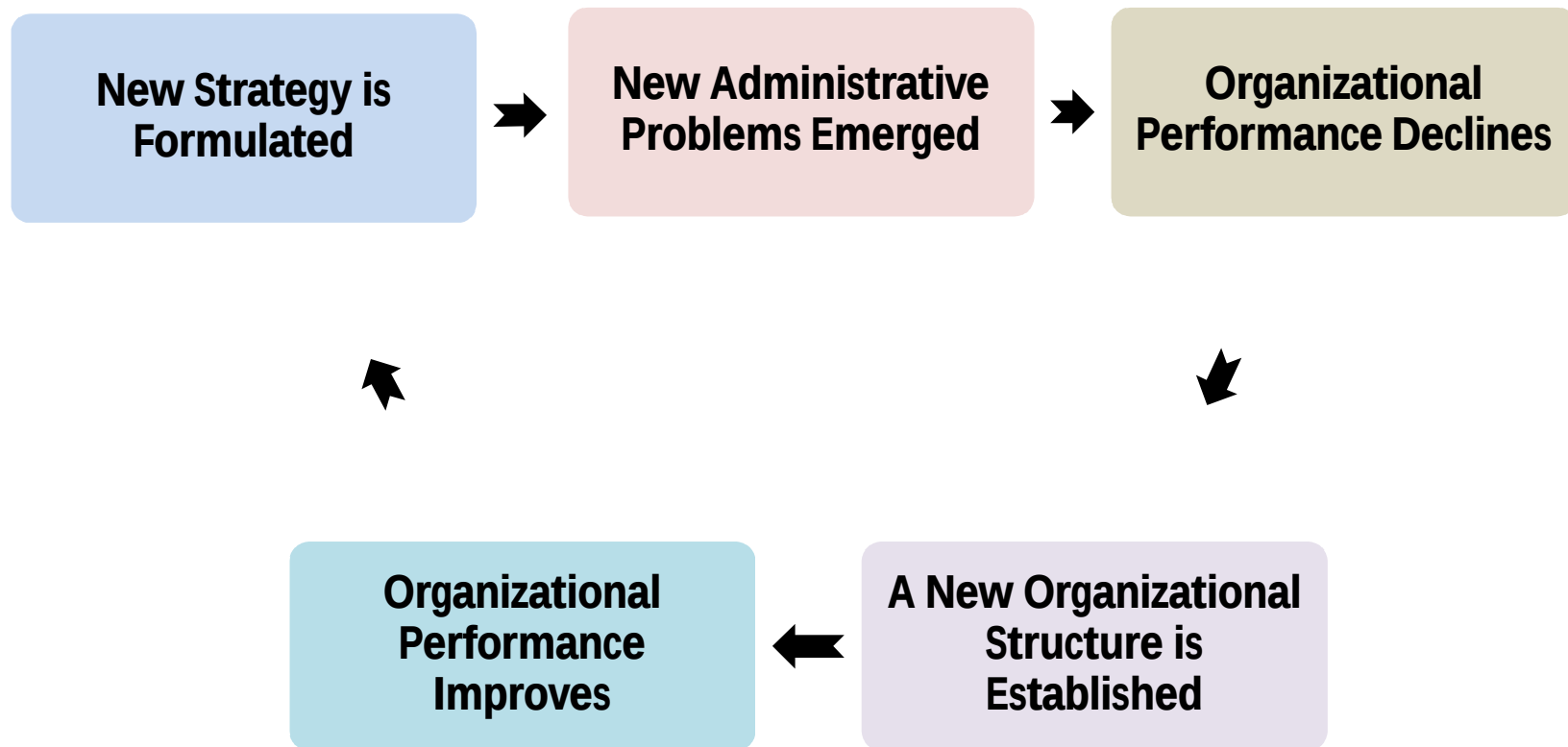
- Structure largely dictates how objectives and policies will be established, e.g. objectives and policies established under a geographic organization structure are couched in geographic terms.
- Why changes in strategy often require changes in structure is that structure dictate how resources will be allocated e.g. if an organization's structure is based on customer groups then resources will be allocated in that manner.



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Chandler's Strategy Structure



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Chandler's Strategy Structure

Structure undeniably can and does influence strategy. Strategies formulated must be workable, so if a certain new strategy required massive structural changes it would not be an attractive choice. In this way, structure can shape the choice of strategies. But a more important concern is determining what types of structural changes are needed to implement new strategies and how these changes can best be accomplished. We may examine this issue by focusing on seven basic types of organizational structure: functional, divisional by geographic area, divisional by product, divisional by customer, divisional process, strategic business unit (SBU), and matrix



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Types of Organizational Structure

Team Based Structure

Attempts to combine both horizontal and vertical coordination through structuring people into cross-functional teams

Project Based Structure

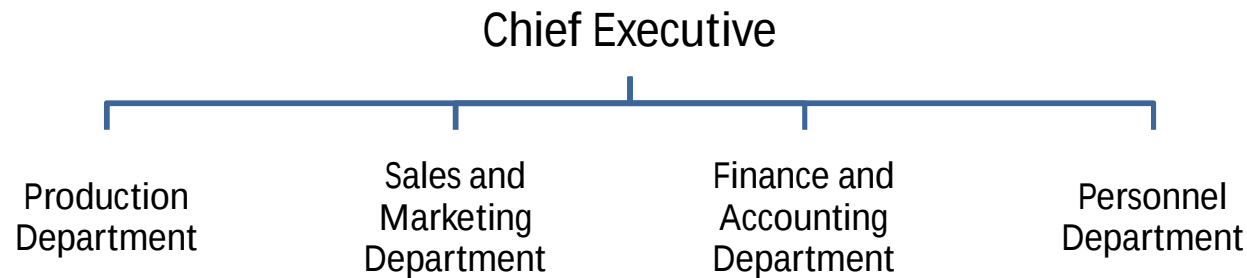
One where teams are created, undertake the work and are then dissolved



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A Functional Structure



Advantages

- Chief executive in touch with all operations
- Reduces/simplifies control mechanisms
- Clear definition of responsibilities
- Specialists are senior and middle management levels

Disadvantages

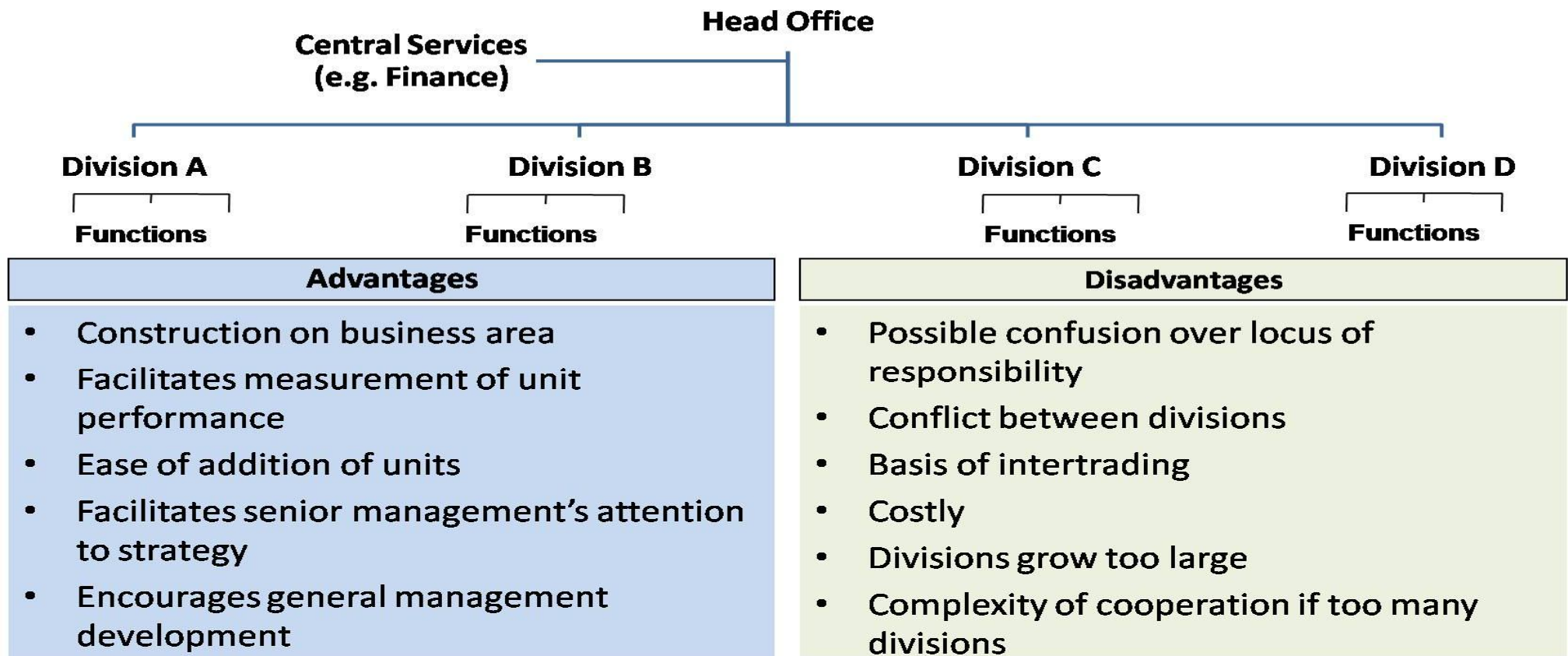
- Senior managers overburdened with routine matters
- Senior managers neglect strategic issues
- Difficult to cope with diversity
- Co-ordination between functions difficult
- Failure to adapt



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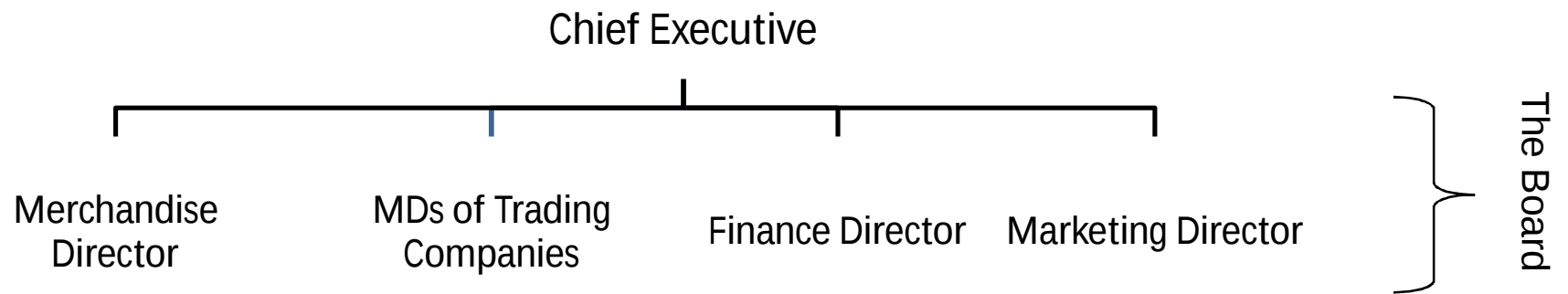
A Multidivisional Structure



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Matrix Structure



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Marketing Issues

Counting marketing variables affect the success or failure of strategy implementation. Some examples of marketing decisions that may require policies are as follows:

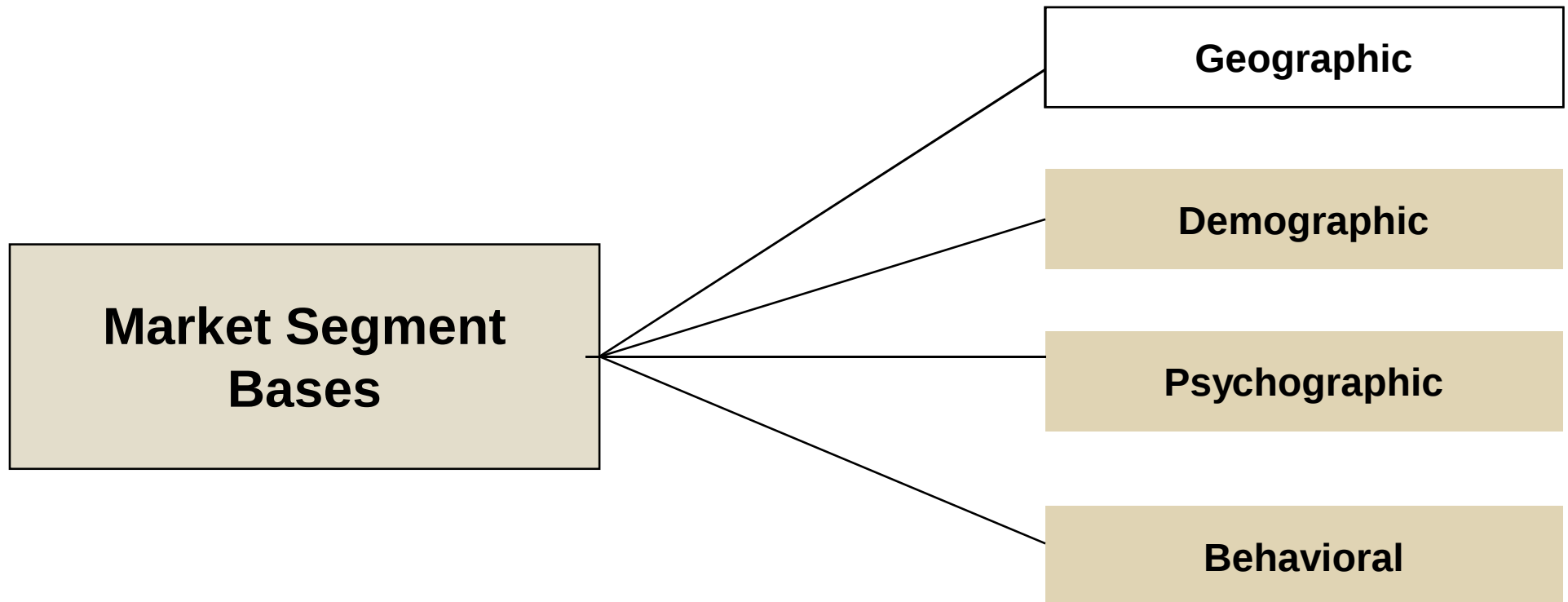
- To use exclusive dealerships or multiple channels of distribution.
- To use heavy, light, or no TV advertising.
- To limit (or not) the share of business done with a single customer.
- To be a price leader or a price follower.
- To offer a complete or limited warranty.
- To reward salespeople based on straight salary, straight commission, or a combination salary/commission.
- To advertise online or not.



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Bases for Market Segmentation



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Bases for Market Segmentation

Geographic

- Region
- County Size
- City Size
- Density
- Climate

Demographic

- Age
- Gender
- Family Size
- Family Life Cycle
- Income
- Occupation
- Education
- Religion
- Race
- Nationality



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Bases for Market Segmentation

Psychographic

- Social Class
- Personality

Behavioural

- Use Occasion
- Benefits Sought
- User Status
- Usage Rate
- Loyalty Status
- Readiness Stage
- Attitude Toward Product



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Product Positioning

Product Positioning Steps



1. Select Key Criteria

2. Diagram Map

3. Plot competitors' products

4. Look for niches

5. Develop Marketing Plan



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Product Positioning

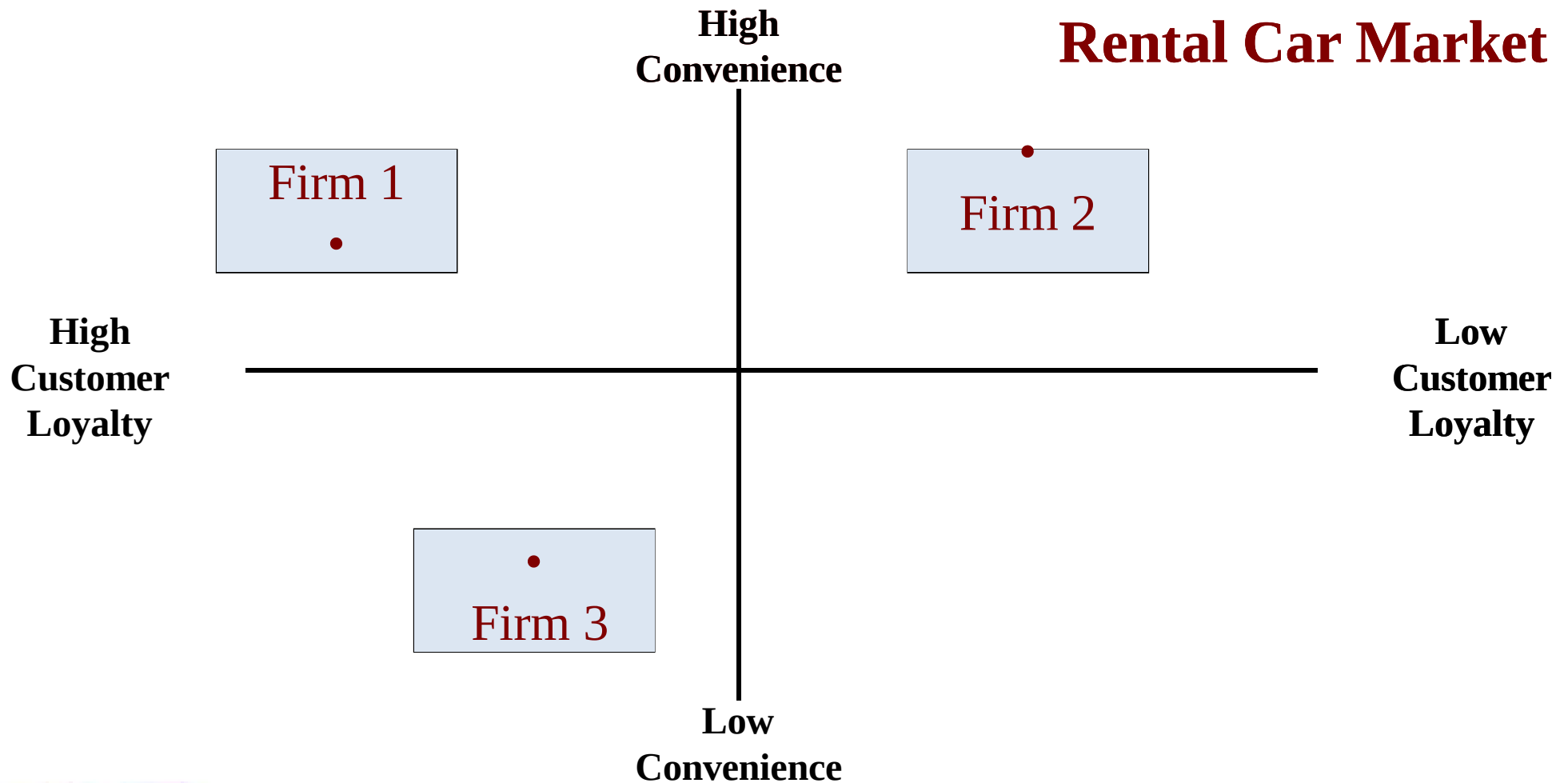
1. Select key criteria that effectively differentiate products or services in the industry.
2. Diagram a two-dimensional product-positioning map with specified criteria on each axis.
3. Plot major competitor's products or services in the resultant four-quadrant matrix.
4. Identify areas in the positioning map where the company's products or services could be most competitive in the given target market. Look for vacant areas (niches).
5. Develop a marketing plan to position the company's products or services appropriately.



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Product Positioning Map



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Finance/Accounting Issues

Three Basic Approaches

1. What a firm owns
2. What a firm earns
3. What a firm will bring in the market



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Projected Financial Statements

- Prepare the projected income statement before the balance sheet.
- Use the percentage-of-sales method to project cost of goods sold (CGS) and the expense items in the income statement.
- Calculate the projected net income.
- Subtract from the net income any dividends to be paid for that year. This remaining net income is retained earnings (RE). Bring this retained earnings amount for that year ($NI - DIV = RE$) over to the balance sheet by adding it to the prior year's RE shown on the balance sheet.
- Project the balance sheet items, beginning with retained earnings and then forecasting stockholder's equity, long-term liabilities, current liabilities, total liabilities, total assets, fixed assets, and current assets (in that order).
- List comments (remarks) on the projected statements.



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Research and Development (R&D) Issues

- Emphasize the product or process improvements
- Stress basic or applied research
- Be leaders or followers in R & D
- Develop robotics or manual-type processes
- Spend a high, average or low amount of money on R & D
- Perform R & D within the firm or to contract R & D to outside firms



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R &D Involvement in Selected Strategy-Implementation Situations

The following guidelines can be used to help make this decision:

- If the rate of technical progress is slow, the rate of market growth is moderate, and there are significant barriers to possible new entrants, then in-house R & D is the preferred solution. The reason is that R & D, if successful, will result in a temporary product or process monopoly that economy can exploit.
- If the technology is changing rapidly and the market is growing slowly, then a major effort in R & D may be very risky, because it may lead to the development of an ultimately obsolete technology or one for which there is no market.



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R &D Involvement in Selected Strategy-Implementation Situations

- If technology is changing slowly but the market is growing quickly, there generally is not enough time for in-house development. The prescribed approach is to obtain R & D expertise on an exclusive or nonexclusive basis from an outside firm.
- If both technical progress and market growth are fast, R & D expertise should be obtained through acquisition of a well-established firm in the industry.



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Management Information Systems (MIS)

- Information collection, retrieval, & storage
- Keeping managers informed
- Coordination of activities among divisions
- Allow firm to reduce costs



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Strategy–Implementation Tools

- Look for the hole or *vacant niche*. The best strategic opportunity might be an un-served segment.
- Don't squat between segments. Any advantage from squatting (such as a larger target market) is offset by a failure to satisfy one segment. In decision-theory terms, the intent here is to avoid sub optimization by trying to serve more than one objective function.
- Don't serve two segments with the same strategy. Usually, a strategy successful with one segment cannot be directly transferred to another segment.
- Don't position yourself in the middle of the map. The middle usually means a strategy that is not clearly perceived to have any distinguishing characteristics. This rule can vary with the number of competitors.



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