Basic Concepts of Strategic Management

Professor Robert R. Wiggins

Basic Model of Strategic Management

- Environmental Scanning
- Strategy Formulation
- Strategy Implementation
- Evaluation and Control

External: General and Industry
- Internal: Structure, Culture, Resources
- Missions, Objectives, Strategies, Policies
- Programs, Budgets, Procedures
- Performance

The I/O Model of Superior Profitability

- External Environment
- Attractive Industry
- Strategy Selection
- Assets and Skills
- Strategy Implementation
- Superior Profitability
Assumptions of the IO Model

- The external environment (the general, industry and competitive environments) impose pressures and constraints on the firm and determines strategies that will result in superior profitability.
- Most firms in an industry (or industry segment) control similar sets of strategically-relevant resources and therefore pursue similar strategies.
- Resources used to implement strategies are highly mobile across firms.

Assumptions of the Resource-Based Model

- Each firm is a collection of unique resources and capabilities that provide the basis for its strategy and is the primary source of firm profitability.
- Over time, firms acquire different resources and develop different capabilities.
- Resources may not be highly mobile across firms.
Levels of Strategy

1. Functional Strategy
2. Business Unit Strategy
3. Corporate Strategy
4. Enterprise Strategy
5. Cooperative Strategy
6. Hypercompetitive Strategy

Functional Strategy

- Product Design
- Models
- Production Run
- Produce to:

How do we coordinate?
Functional Strategy

How do we coordinate?

- Product Design
- Models
- Production Run
- Produce to:

Business Unit Strategy

How do we compete?

- Price/Service/Quality
Corporate Strategy

Where do we compete?

Enterprise Strategy

How do we assure legitimacy?

Cooperative Strategy

With whom do we form alliances?
Hypercompetitive Strategy

How do we disrupt the market?

Generic Model of Strategic Programming

- Identification of Mission
- Derivation of Objectives
- Identification of Alternative Strategies
- Evaluation of Alternatives
- Selection of Preferred Alternatives
- Creation of Master Plan/Program
- Creation of Medium-Run Plans/Programs
- Creation of Short-Term Plans/Programs
- Evaluation of Results

FEEDBACK LOOP

- Establish Master Budget
- Establish Medium-Run Operating Budgets
- Establish Short-Term Tactical Budgets

STRATEGY FORMULATION

STRATEGY IMPLEMENTATION

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Deans, Thinkers, Doers
Deliberate and Emergent Strategy

Intended Strategy

Deliberate Strategy

Unrealized Strategy

Emergent Strategy

Realized Strategy

The Strategic Continuum

Dynamism

Relatively unstable

Relatively stable

Complexity

Relatively simple

Relatively complex

Generic Model of Strategic Problem Solving

Identification of Problem

Derivation of Source of Problem

Identification of Alternative Solutions

Evaluation of Alternatives

Selection of Preferred Solution

Creation of Implementation Plan

Creation of Action Plan

Creation of Risk Analysis

Evaluation of Results

Emphasis on Deliberative and Strategic Planning