

# Chapter 1

## Basic Concepts of Strategic Management

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# Strategic Management

- Set of managerial decisions and actions that determines the long-run performance of a company
- As opposed to “strategic planning”?



# Benefits

- Clearer sense of strategic vision for the firm
- Sharper focus on what is strategically important
- Improved understanding of a changing environments



# Learning Organization

- An organization skilled at creating, acquiring, and transferring knowledge, and at *modifying its behavior* to reflect changes in new knowledge
- Organization adjust defensively to changing environment
- And, offensively use knowledge to improve organizations position in environment
- Very critical to gain competitiveness...!



# Skills of Learning Organization

- Solving problems systematically
- Experimenting with new approaches
- Learning from own & other's experiences
- Transfer knowledge quickly through the organization

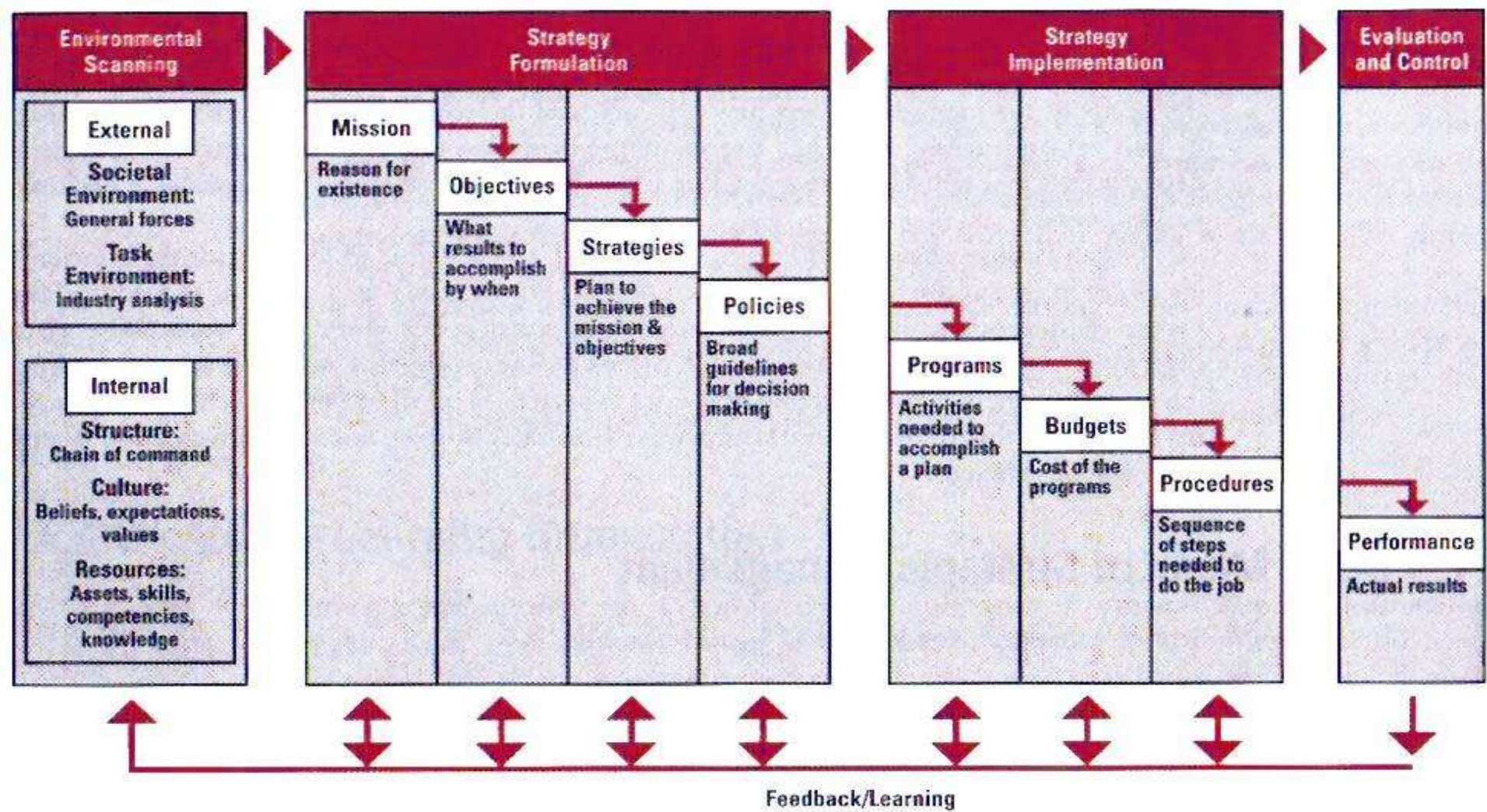


# Basic Model of Strategic Management

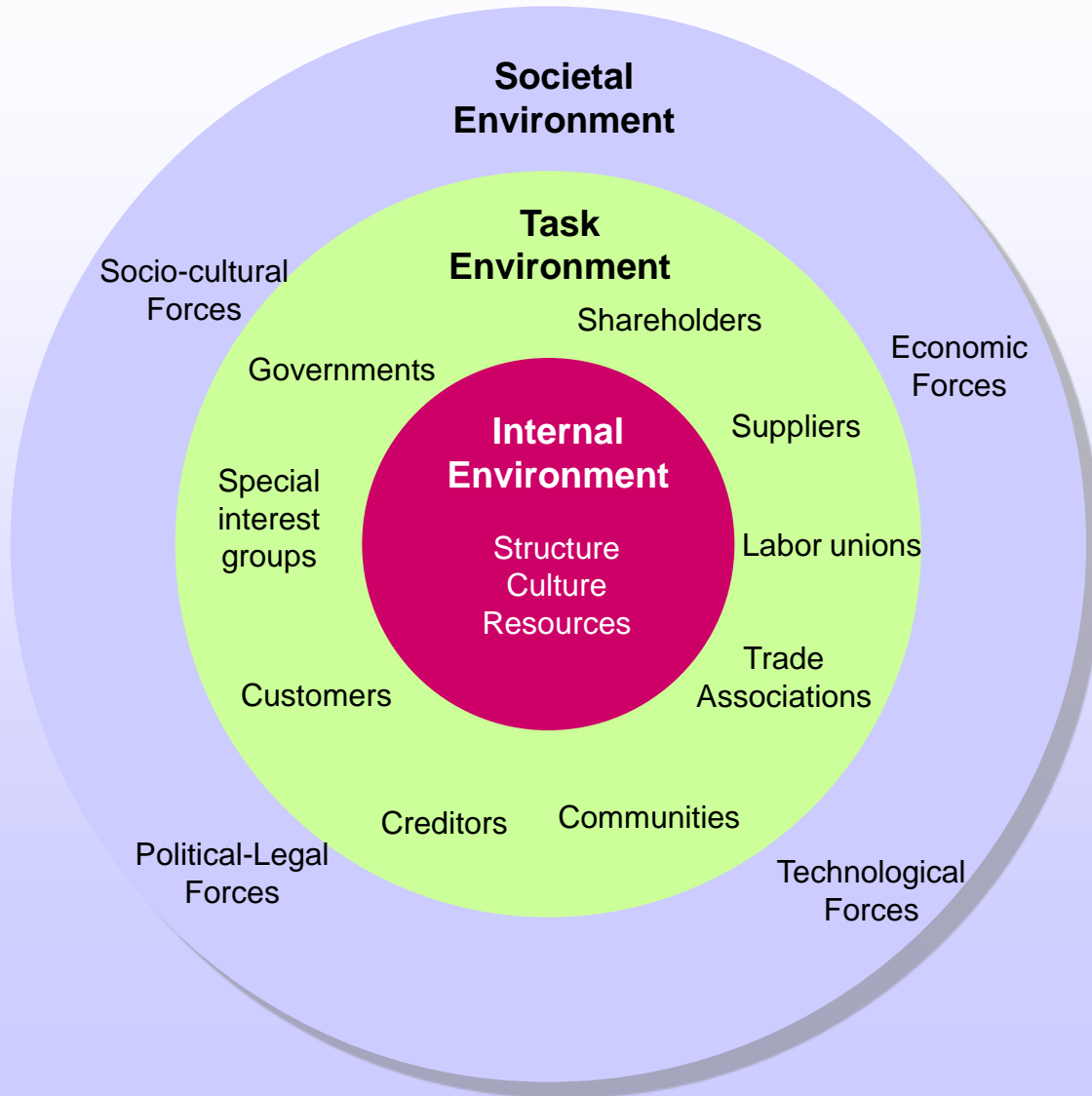
- Environmental scanning
- Strategy formulation
- Strategy implementation
- Evaluation & control



Strategic Management Model



# Environmental Variables





# Misi

- What the company does in a long term overall purpose?
- Reason for organization's existence.
- Not to broad... not to narrow!



# Visi

- What will the company look like in the future?
- Example:
  - *“To be the world mobile communication leader (VISI), enriching the lives of individuals and business customers in the networked society (MISI)”*



# Objectives

- Measurable targets that the organization is setting to move towards its vision.
- Characteristics of an objective:
  - unambiguous & result oriented
  - measurable, verifiable and not too numerous
  - relevant, achievable
  - consistent with higher level objectives
- Contoh:  
*“Reduce manufacturing cost by 10% each year for the next five years”.*



# Strategies

- Corporate strategy
- Business strategy
- Functional strategy



# Corporate strategy

- General attitude toward all of its business
- Typically fit in these categories:
  - Stability
  - Growth
  - Retrenchment



# Business strategy

- At business unit or product level
- Improvement of competitive positioning in market
- 2 category:
  - competitive strategy
  - cooperative strategy



# Functional Strategy

- Taken by functional area (R&D, marketing, IS, HR) to achieve business unit objectives
- Use distinctive competence
- Example:
  - R&D: invent vs innovate vs immitate
  - Marketing: pull by advertising



# Policy

- Broad guidelines for decision making that links the formulation of strategy to implementation
- Example:
  - Cannibalize existing product line to introduce new products (supports Intel's strategy of market leadership)
  - “No questions asked” for return policy (supports differentiation by excellent customer service)
  - Project that will reduce quality, even it reduces cost, will not be approved (supports product quality strategy)





# Trigger Event

Change of strategy may be triggered by:

- New CEO
- External intervention
- Change of ownership
- Performance gap
- Strategic inflection point: when a major change to the environment (technology, regulation, etc.)



# Characteristic of Strategic Decision

- Rare: unusual
- Consequential: demand substantiation resource & commitment
- Directive: sets precedents for future decision & actions



# Strategic Decision Making Process

**Figure 1-5**  
Strategic Decision-Making Process

