

Chapter 1 - Nature of Strategic Management

Overview

Chapter 1 introduces the basic terms in strategic management. This chapter presents the comprehensive model for strategic planning that appears in each subsequent chapter and provides a unifying, logical flow for the entire textbook. This chapter describes the benefits of doing strategic planning, the drawbacks of not doing strategic planning, and the pitfalls of doing strategic planning incorrectly.

Learning Objectives

- 1-1. Describe the strategic-management process.
- 1-2. Discuss the three stages of activities for strategy formulation, implementation, and evaluation activities.
- 1-3. Explain the need for integrating analysis and intuition in strategic management.
- 1-4. Define and give examples of key terms in strategic management.
- 1-5. Describe the benefits of engaging in strategic management.
- 1-6. Explain why some firms do not engage in strategic planning.
- 1-7. Describe the pitfalls in doing strategic planning.
- 1-8. Discuss the connection between business and military strategies.
- 1-9. Explain how this course can enhance a student's employability.

Teaching Tips

1. Spend about 20 minutes going over the comprehensive strategic-management model in Figure 1-1, highlighting each component part with examples. This model integrates all the chapters in the book in a clear process approach to this course. Going over this model is an excellent way to cover the terms introduced in the chapter.
2. Pull up the new and improved author website for this textbook, because it has great resources for students. The URL is www.strategyclub.com. In class, listen to the 4-minute author video at this website for "Why is Chapter 1 so Important?" Spend perhaps a whole class on the author website using the many resources there to give an overview of the whole strategic management process.
3. The Edward Deming quote mentioned in Chapter 1 (In God We Trust, All Others Bring the Data) is vitally important in this course, because students tend to use vague terms throughout their case analysis. Vagueness is detrimental to development of any strategic plan. Therefore, highlight and emphasize the relevance and importance of the

Deming quote and tell students that vagueness is disastrous in this course. Strategies must be formulated to the extent possible on factual, specific, underlying key internal and external factors, rather than trying to formulate strategies based on general statements, opinion, or intuition.

4. A new feature of Chapter 1 with this edition is the introduction of SWOT analysis, because this strategic planning tool is so widely used across businesses – so go over SWOT analysis even though more detailed information is given in Chapter 6 regarding SWOT. See Figure 1-2.
5. Go over the new Table 1-2 that reveals ten famous, strategic planning relevant quotes from NFL coaches. These quotes are all applicable to effectively formulating and implementing strategies.
6. Make sure students can define and give an example of all the strategic-management terms introduced in this chapter – because these terms are used throughout the textbook and in most businesses.
7. Highlight “the benefits of doing strategic planning.” Use that exhibit to emphasize the many benefits of doing strategic planning, as well as the drawbacks of not doing strategic planning.
8. Ask students to raise their hand if they played football, basketball, or soccer for the college/university. Ask several of those athletes to “tell the class how important having a good game plan is to the success of an athletic team.” Associate their answers to the importance of a business having a good game plan, i.e., strategic plan.
9. Regarding the “Comparing Business and Military Strategy” section, emphasize to students that there are countless examples in military history where a superior army was defeated by a smaller army that had a better strategic plan. The famous general, Alexander the Great, who never lost a battle, said (paraphrased): “I’d rather face an army of lions led by a sheep, than an army of sheep led by a lion.” That quote emphasizes the importance of strategic planning, and having an excellent strategist. All the Notable Quotes given at the **www.strategyclub.com** website under Student Resources are outstanding.
10. Near the end of Chapter 1 is a section on Student Employability and how this course enhances employability. This whole concept is new with this edition and merits class time to accent the relevance of this course to a student’s overall career.
11. Each chapter concludes with a mini-case designed to apply chapter concepts and techniques. The Chapter 1 mini-case is on Tesla, Inc., an American firm that may do the best job of strategic planning among all firms. Go over the mini-case in this and all chapters.

12. All end-of-chapter review questions are excellent, so go over as many as possible in class. Sometimes in class, the authors will assign every student a question and give the class 10 minutes to develop answers and then let each student give the class the answer, and then comment on the answer (answers to all questions are given later in this manual). This is a great way to promote teacher/student interaction.

13. Ask students to read the Coca-Cola Company Cohesion Case presented after Chapter 1 because a third of all the end-of-chapter exercises at the end of every chapter apply chapter concepts to the Coca-Cola case – thus preparing students for developing a case analysis on their assigned company. Divide students into three- or four-person teams within the first two weeks of class and assign to them one of the 30 cases in the book, and schedule a day for the teams to each give a 10- to 15-minute oral presentation revealing their recommended three-year strategic plan for the firm. The authors and most professors using this book use this approach.

14. It is important to spend some class time also on the Chapter 1 end-of-chapter Exercises 1A and 1B that apply the strategic-management process to the Coca-Cola Company Cohesion Case. Associated exercises at the end of other chapters utilize the information obtained from Exercises 1A and 1B and collectively help prepare students for performing case analysis on their assigned company.

15. A popular exercise at the end of Chapter 1 is 1C titled “Strategic Planning for My University.” You could spend a whole class day on this exercise alone. Definitely spend some time on this exercise because associated exercises at the end of each chapter apply strategy concepts to your college/university. Students are very knowledgeable about their university and their opinions differ widely as to strengths/weaknesses and opportunities/threats/strategies. Thus, spending class time working through this exercise will reveal to students how opinions vary regarding the importance of various factors/issues; opinions also vary in companies doing strategic planning. We use this exercise also to facilitate teacher/student interaction as well as student/student interaction, which is especially beneficial to do early in the semester.

16. Exercise 1E introduces a new group vs. individual decision-making exercise that appears at the end of each chapter in the 17th edition. These are fun, informative, effective exercises to determine winners and losers each day in class.

17. Encourage your students to use the free Excel Student Template at the author website at www.strategyclub.com. Your students will find this template to be immensely helpful in this course. Plus, two example strategic-management case projects are provided at this website as a guide for students to follow.

Answers to End-of-Chapter 1 Review Questions

1-1. Why do you believe SWOT analysis is so commonly used by businesses in doing strategic planning?

Answer: SWOT analysis is the most widely used strategic planning tool because it is intuitively simple, contains no numbers, lends itself to group discussion, and contains the basic building blocks of a strategic plan, namely strengths, weaknesses, opportunities, and threats.

1-2. What variable does recent research reveal to be most important of all in doing business? Explain why this variable is so important.

Answer: Three Harvard Business School professors, Amy Cuddy, Susan Fiske, and Peter Glick, recently revealed in a new book, *Presence*, that the most important variable in doing business with someone you do not know is trustworthiness. The authors say that within seconds of meeting someone, people determine first and foremost the extent that the person is trustworthy. They say that variable is far more important than competence, intelligence, looks, strength, height, and numerous other variables.

1-3. For your college or university, identify a strategy that would exemplify the matching concept evidenced in SWOT analysis.

Answer: An external threat could be “a 10% annual decline in state funding.” A weakness could be “lack of sufficient external fund raising.” The strategy to offset could be for the university to seek external funds by placing people’s names on buildings, classrooms, and even seats in classrooms.

1-4. Diagram the comprehensive strategic-management model.

Answer: See Figure 1-1 in Chapter 1.

1-5. Develop a diagram to reveal the benefits to a firm for doing strategic planning. Include “improved understanding,” “enhanced communication,” “all managers and employees on a mission,” and “greater commitment” – in the correct order.

Answer: See Figure 1-2 in Chapter 1.

1-6. How important do you feel “having an excellent game plan” is to winning a basketball or football game against your university’s major rival? Discuss.

Answer: Having an excellent game plan oftentimes is the key difference between winning and losing in an athletic event. A reason for this is that in most leagues in most sports, there is growing parity in terms of talent and skills among players. Player desire, motivation, and other intangible factors play a significant role in winning or losing, but every player relies on the head coach to develop an effective game plan by watching film of rivals’ prior games and studying the opponents’ strengths, weaknesses, and strategies – and devising a winning plan of action.

Outstanding coaches are often paid millions of dollars, for example in Division 1 college football and basketball, partly because they have demonstrated superior expertise in devising excellent game plans versus rival teams.

1-7. Are “strategic management” and “strategic planning” synonymous terms? Explain.

Answer: The term “strategic management” in this text is used synonymously with the term “strategic planning.” The latter term is more often used in the business world, whereas the former is often used in academia. Sometimes the term “strategic management” is used to refer to strategy formulation, implementation, and evaluation, with “strategic planning” referring only to strategy formulation.

1-8. Why do many firms move too hastily from vision/mission development to devising alternative strategies?

Answer: Firms that move too hastily from vision and mission development to devising alternative strategies are overlooking two important steps in the strategic management process: 1) identify and evaluate internal strengths/weaknesses and 2) identify and evaluate external opportunities/threats. Reasons why many firms are negligent in this regard include 1) laziness, 2) lack of time, 3) lack of knowledge, 4) unwillingness to do research to find specific facts and figures, and 5) being unaware that matching key external with internal factors is a key to strategy formulation.

1-9. Why are strategic planning retreats often conducted away from the work site? How often should firms have a retreat, and who should participate in them?

Answer: The rationale for periodically conducting strategic-management meetings away from the work site is to encourage more creativity and candor from participants. Good communication and feedback are needed throughout the strategic-management process in order to 1) formulate effective strategies and 2) achieve understanding and commitment that are vital to strategy implementation.

1-10. Distinguish between long-range planning and strategic planning.

Answer: Long-range planning is striving to optimize for tomorrow the trends of today, whereas strategic planning is striving to exploit and create new and different opportunities for tomorrow. Strategic planning requires much more work and diligence as indicated by the activities and stages described in the chapter.

1-11. How important do you think “being adept at adapting” is for business firms? Explain.

Answer: Being adept at adapting is vital for survival of business firms (and organisms). The strategic-management process is based on the belief that an organization’s survival can depend on how well the firm continually monitors internal and external events and trends and makes timely changes as needed.

1-12. As cited in the chapter, Edward Deming, a famous businessman, once said, “In God we trust. All others bring data.” What did Deming mean in terms of developing a strategic plan?

Answer: The strategic-management process can be described as an objective, logical, systematic approach for making major business decisions in an organization. The process attempts to organize qualitative and quantitative information in a way that allows effective decisions to be made under conditions of uncertainty. Mr. Deming insisted on facts and figures because he knew that vague generalities were not helpful in choosing among many attractive alternative strategies. Mr. Deming insisted on seeing #'s, \$'s, ratios, and %'s across regions and products in order to best chart a path forward for any organization.

1-13. What strategies do you believe can save newspaper companies from extinction?

Answer: Newspaper companies could invest more in Internet technologies, including developing nice apps for smartphones, and charging for the apps. Also, they could charge for an online subscription. Perhaps they could shift to a business model of giving away newspapers, while simultaneously enticing advertisers to advertise more, given the expected increased circulation from “free at newsstands and nominal fee for delivery.” Free is a good price, if expenses can be exceeded by advertising revenue. But any strategies pursued should be determined after thorough analysis as described in this text, rather than haphazardly determined.

1-14. Distinguish between the concepts of mission and vision.

Answer: Mission statements are “enduring statements of purpose that distinguish one business from other similar firms.” Vision statements answer the question “What do we want to become?” A vision statement should be one sentence, whereas a mission statement is several sentences, but less than 200 words.

1-15. Your university has fierce competitors. List three external opportunities and three external threats that face your university.

Answer:

Opportunities – 1) The blackboard collaborating technology for online classes has become easier, more popular, and less expensive. 2) The USA economy and GDP is growing 6% annually. 3) Construction costs for building new buildings is declining 14% year-over-year.

Threats – 1) The local tech school has cheaper tuition and easier classes that transfer into our university. 2) Our rival firms all offer a BBA Degree online. 3) There is an 8% decline in population in the last few months in our county.

1-16. List three internal strengths and three internal weaknesses that characterize your university.

Answer:

Strengths – 1) Our College of Business is AACSB accredited at both the BBA and MBA levels.

2) Our average classroom size is 19 students. 3) Our university has a new Nursing Program and Building.

Weaknesses – 1) Only 50% of our business faculty hold a PhD in business. 2) Our university lacks sufficient dorm space for students. 3) Our university lacks sufficient parking for students and faculty.

1-17. List reasons why objectives are essential for organizational success.

Answer: Objectives are essential for organizational success because they state direction, aid in evaluation, create synergy, reveal priorities, focus coordination, and provide a basis for effective planning, organizing, motivating, and controlling activities.

1-18. Why are policies especially important in strategy formulation?

Answer: Policies, like annual objectives, are especially important in strategy implementation because they outline an organization's expectations of its employees and managers. Policies allow consistency and coordination within and between organizational departments. Policies can be broad and include rules, regulations, and procedures.

1-19. What is a “retreat” and why do firms take the time and spend the money to have these?

Answer: Retreats are formal meetings conducted semiannually to discuss and update the firm's vision/mission, opportunities/threats, strengths/weaknesses, strategies, objectives, policies, and performance. Retreats are commonly held off-premises to encourage more creativity and candor from participants. The feeling is that an off-premise retreat facilitates communication, shared understanding, and commitment.

1-20. Discuss the notion of strategic planning being more formal versus informal in an organization. On a 1 to 10 scale from formal to informal, what number best represents your view of the most effective approach? Why?

Answer: Formality refers to the extent that participants, responsibilities, authority, duties, and approach are specified. Application of the strategic-management process is typically more formal in larger and well-established organizations. Smaller businesses tend to be less formal. Firms that compete in complex, rapidly changing environments, such as technology companies, tend to be more formal in strategic planning. Firms that have many divisions, products, markets, and technologies also tend to be more formal in applying strategic-management concepts. Greater formality in applying the strategic-management process is usually positively associated with the cost, comprehensiveness, accuracy, and success of planning across all types and sizes of organizations. Informality too often invites guessing, laziness, politics, and emotion, which are generally not good in strategic planning.

1-21. List what you believe are the five most important lessons for business that can be garnered from *The Art of War* book.

Answer: Both business and military organizations must adapt to change and constantly improve to be successful. Table 1-3 provides narrative excerpts from *The Art of War*, but some of the following especially apply to business.

- Analyze the enemy's plans so that you will know his shortcomings as well as his strong points.
- An army should be likened to water. Just as flowing water avoids the heights and hastens to the lowlands, so an army should avoid strength and strike weakness.
- Unskilled leaders work out their conflicts in courtrooms and battlefields. Brilliant strategists rarely go to battle or to court; they generally achieve their objectives through tactical positioning well in advance of any confrontation.
- When you do decide to challenge a rival, much calculating, estimating, analyzing, and positioning bring triumph.
- Skillful leaders do not let a strategy inhibit creative counter-movement.
- When a decisive advantage is gained over a rival, skillful leaders do not press on. They hold their position and give their rivals the opportunity to surrender or merge.
- Brilliant strategists forge ahead with illusion, obscuring the areas of major confrontation, so that opponents divide their forces in an attempt to defend many areas.

1-22. What is the fundamental difference between business strategy and military strategy in terms of basic assumptions?

Answer: The fundamental difference between military and business strategy is that business strategy is formulated, implemented, and evaluated with an assumption of competition, whereas military strategy is based on an assumption of conflict.

1-23. Explain why the strategic management class is often called a “capstone course.”

Answer: Strategic management is commonly called a capstone course because students' major responsibility in this class is to use all knowledge gained in prior courses to chart the future direction of different organizations. Students have the opportunity in this course to utilize their marketing, finance, management, MIS, and accounting knowledge.

1-24. What aspect of strategy formulation do you think requires the most time? Why?

Answer: Important aspects of strategy formulation include developing a business mission, performing an external audit, conducting an internal audit, generating alternative strategies, and choosing among alternative strategies. Performing an external audit generally takes the most time. For example, identifying competitors' strengths and weaknesses is an essential aspect of the external audit. Effective use of the Internet can reduce the time required for performing an external audit.

1-25. Why is strategy implementation often considered the most difficult stage in the strategic-management process?

Answer: Strategy implementation is often considered to be the most difficult stage in strategic management because it requires discipline, sacrifice, commitment, and hard work from all employees and managers. It is always more difficult to do something than to say you're going to do it.

1-26. Why is it so important to integrate intuition and analysis in strategic management?

Answer: No analytical tools can capture all aspects of a given organization's culture and situation. Nor can analytical tools assimilate all the subjective information that must be considered in strategic management, such as personalities, emotions, values, beliefs, customs, and ethical factors. However, analytical tools are essential to utilize in strategic planning because they have been developed over many years using actual data, and are effective for assimilating facts and figures. Intuition alone is insufficient for making good strategic decisions. Based on one's past experiences, judgment, and "gut" feelings, intuition is especially under time constraints, and in assigning weights and ratings in planning matrices. Strategists must integrate intuition and analysis in strategic management, but in the view of this author, analysis is more important than intuition. Unfortunately, too many firms rely too heavily on intuition, and some disastrously rely exclusively on intuition.

1-27. Explain the importance of a vision and mission statement.

Answer: Reaching agreement on a formal vision and mission statement can greatly facilitate the process of reaching agreement on an organization's strategies, objectives, and policies. Organizational success depends on reasonable agreement on key issues, so a clear, jointly developed and supported, vision and mission statement are essential in strategic management.

1-28. Discuss relationships among objectives, strategies, and policies.

Answer: Long-term objectives and strategies are products of strategy formulation. Short-term (annual) objectives and policies are products of strategy implementation. Firms should translate long-term objectives into annual objectives. Strategies should be supported with clear policies.

1-29. Why do you think some chief executive officers fail to use a strategic-management approach to decision making?

Answer: Various reasons listed and described in Chapter 1 include: Lack of knowledge or experience in strategic planning, poor reward structures, firefighting, waste of time, too expensive, laziness, content with success, fear of failure, overconfidence, prior bad experience, self-interest, fear of the unknown, honest difference of opinion, and suspicion.

1-30. Discuss the importance of feedback in the strategic-management model.

Answer: As indicated in the strategic-management model, feedback is critically important. Changes can occur at any stage in the process and impact all other strategic-management activities. Feedback allows these changes to be identified and adjustments to be made. Feedback promotes the creation of a climate for two-way communication and, thus, allows esprit de corps to be achieved in an organization.

1-31. How can strategists best ensure that strategies will be effectively implemented?

Answer: Strategists can best assure that strategies formulated will be effectively implemented by involving as many managers as possible in the strategy formulation process. It is important to communicate effectively why changes are needed, and how managers and employees will benefit from the expected results. Good communication yields good understanding yields good commitment, which is essential for good implementation (See Figure 1-2).

1-32. Give an example of a recent political development that changed the overall strategy of an organization.

Answer: Gun control legislation is pending at the federal level and in some state legislatures, which has led to increased demand for ammunition and various guns. So, companies that make ammo and guns have increased production in the short term, but in the long term, some are diversifying into related products and services, such as hunting and fishing products.

1-33. Who are the major competitors of your college or university? What are their strengths and weaknesses? What are their strategies? How successful are these institutions compared to your college?

Answer: Answers to this question will vary by institution. But, online courses and online degrees are becoming commonplace. Two-year schools are continually offering 100- and 200-level classes more cheaply and “easier” than four-year schools, that are more and more focusing on graduate schools. Schools are also becoming more student-friendly, modifying curriculum to be more “practical,” and even offering certifications in some areas.

1-34. In your opinion, what is the single major benefit of using a strategic-management approach to decision making? Justify your answer.

Answer: The single major benefit is the potential for improved understanding of the business and industry on the part of all managers and employees. Understanding generally leads to increased commitment, which, in turn, leads to creativity, innovativeness, and overall cooperativeness. The process is more important than the plan. Also, the strategic-management process allows an organization to initiate and influence, rather than just respond and react to its environment. That is, it allows an organization to be proactive, rather than reactive, in controlling its own destiny. Strategic-management concepts provide an objective basis for allocating resources and for reducing internal conflicts that can arise when subjectivity alone is the basis for major decisions.

1-35. Most students will never become a chief executive officer or even a top manager in a large company. So, why is it important for all business majors to study strategic management?

Answer: Strategic management takes place at multiple levels within an organization. Although most students may never become the CEO of a corporation, they may become the “branch manager” or department head or manager. In these roles, they may be asked to participate in development of a strategic plan. Employees at all levels are frequently asked to contribute to

development of their firm's strategic plan. Thus, an understanding of the strategic-management process is important, perhaps for the career development of any business major.

1-36. Describe the content available on the strategy club website at www.strategyclub.com.

Answer: The strategy club website provides the new, free, Excel Student Template designed to help students generate the matrices required for case analyses. The site also provides several sample student case presentations and other resources to benefit strategic management students.

1-37. List four financial and four nonfinancial benefits of a firm engaging in strategic planning.

Answer: Businesses engaging in strategic planning experience many financial benefits, including: 1) significant improvement in sales, profitability, and productivity compared to firms without strategic planning activities, 2) superior long-term financial performance relative to their industry, 3) seem to make more informed decisions with good anticipation of both short and long-term consequences, and 4) better prepared for fluctuations in their external and internal environments. In addition to the financial benefits, firms using strategic planning also experience nonfinancial benefits that include 1) an enhanced awareness of external threats, 2) an improved understanding of competitors' strategies, 3) increased employee productivity, 4) reduced resistance to change, and 5) a clearer understanding of performance-reward relationships.

1-38. Why is it that a firm can sustain a competitive advantage normally for only a limited period of time?

Answer: A firm can sustain a competitive advantage for only a certain period of time due to rival firms continually trying to imitate and duplicate strategies, products, and services of the lead firm, in order to take market share from the leader, and build their own competitive advantage.

1-39. Why is it not adequate to simply obtain competitive advantage?

Answer: Rival firms will constantly attempt to undermine firms with competitive advantages and try to imitate/duplicate those advantages/products/services – and perhaps offer similar products at much lower prices. Organizations must constantly strive to achieve sustained competitive advantage by continually evaluating their own strategies/products/services as well as rival firms' efforts to undermine and overcome.

1-40. How can a firm best achieve sustained competitive advantage?

Answer: Sustained competitive advantage can best be achieved by 1) continually adapting to changes in external trends and events and internal capabilities, competencies, and resources, and by 2) effectively formulating, implementing, and evaluating strategies that capitalize upon those factors.

*** 1-41. In sequential order in the strategic-planning process, arrange the following appropriately: policies, objectives, vision, strategies, mission, strengths.**

Answer: Vision > Mission > Strengths > Objectives > Strategies > Policies

*** 1-42. Label the following as an opportunity, a strategy, or a strength.**

- a. XYZ, Inc. is hiring 50 more salespersons.
- b. XYZ, Inc. has 50 salespersons.
- c. XYZ, Inc.'s rival firm has only 50 salespersons.

Answer:

- a. XYZ, Inc. is hiring 50 more salespersons. > A Strategy
- b. XYZ, Inc. has 50 salespersons. > A Strength
- c. XYZ, Inc.'s rival firm has only 50 salespersons. > An Opportunity

*** 1-43. Explain why internal strengths and weaknesses should be stated in divisional terms to the extent possible.**

Answer: Arguably the most important strategic decision facing firms is how best to allocate resources across divisions. To facilitate this decision making, internal strengths and weaknesses should be stated in divisional terms to the extent possible.

*** 1-44. Explain why both internal and external factors should be stated in specific terms, i.e., using #'s, %'s, \$'s, ratios, and comparisons over time, to the extent possible.**

Answer: Business people already know the vague generalities, and desperately need to know the specifics, in order to decide among many available good alternative strategies. Thus, the underlying external opportunities/threats must be stated in specific terms to give guidance in formulating and selecting alternative strategies. Thus, avoid saying "Canada's GDP is increasing." Instead, say "Canada's expected GDP next year is 6% and Mexico's expected GDP is 3%." Words such as increasing, decreasing, growing, and expanding can mean virtually anything. Avoid vagueness. Vagueness is not helpful in making tough resource allocation decisions among divisions, regions, products, etc.

*** 1-45. Identify the three activities that comprise strategy evaluation.**

Answer: The three fundamental strategy-evaluation activities are (1) review external and internal factors that are the bases for current strategies, (2) measure performance, and (3) take corrective actions. The first activity involves determining whether strength/weakness/opportunity/threat facts and figures have changed, which is actually facilitated by activity two, that involves comparing actual performance to expected results across regions and products. The third activity can include altering a firm's vision/mission/objectives/strategies/policies/procedures/organizational chart, etc.

*** 1-46. List six characteristics of annual objectives.**

Answer: Like long-term objectives, annual objectives should be measurable, quantitative, challenging, realistic, consistent, and prioritized.

*** 1-47. Would strategic-management concepts and techniques benefit foreign businesses as much as domestic firms? Justify your answer.**

Answer: The answer to this question is YES. But, management style and culture varies considerably across countries, as will be elaborated upon in Chapter 11. For example, northern European countries tend to be more participative in management style, whereas southern European countries tend to be more autocratic (as does Mexico). Many foreign businesses are using strategic-management concepts and techniques effectively. This textbook is very widely used globally, being the best seller in Japan, China, and Mexico.

*** 1-48. What do you believe are some potential pitfalls or risks in using a strategic-management approach to decision making?**

Answer: Thirteen risks are listed under the “Pitfalls in Strategic Planning” section of Chapter 1. But, there is a risk of too little top management support for the process. There is a risk of too little involvement by line managers and employees. There is a risk that top managers will underestimate the importance of understanding and commitment.

*** 1-49. What does recent research reveal to be the most important component/activity in the strategic-management process?**

Answer: Recent research has examined the strategic-management process and concluded that perhaps the most important “activity” is the feedback loop, because strategy must be thought of as a “verb rather than a noun.” Rose and Cray contend that strategy is a “living, evolving conceptual entity,” and as such must be engulfed in flexibility. “Flexibility” should also be reflected in the structures put in place to monitor and modify strategic plans. Flexibility safeguards should increasingly be known and practiced throughout the firm, especially at lower levels of the organization. The stages of strategic management (formulation, implementation, and evaluation) are so fluid as to be virtually indistinguishable when one starts and the other ends. Thus, in the comprehensive model illustrated, the encompassing feedback loop is vitally important to enable firms to readily adapt to changing conditions. A significant change in any activity (box) in the model could necessitate change(s) in other activities. (Source: Based on Rose, Wade and David Cray (2013), “The Role of Context in the Transformation of Planned Strategy into Implemented Strategy,” *International Journal of Business Management and Economic Research*, 4(3), 721-737.)

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1-50. Strengths and weaknesses should be determined relative to competitors, or by elements of being, or relative to a firm’s own objectives. Explain.

Answer: This is a true statement. An internal factor, such as ROI of 4%, can be stated much better as, ROI of 4% vs. Industry Avg. of 14%, or ROI of 4% vs. Company Objective of 2%, or ROE of 4% vs. negative 4% the prior year. Relative strength/weakness deficiency or superiority is vital information in formulating strategies, and is much better than a single number with no comparison over time or to industry average. An example of “elements of being” would be that Firm A owns 10,000 acres of oil lands.

1-51. What are the three stages in strategic management? Which stage is more analytical? Which relies most on empowerment to be successful? Which relies most on statistics? Justify your answers.

Answer: The three stages of strategic management are: strategy formulation, strategy implementation, and strategy evaluation. Because it is the decision-making stage of strategic management, strategy formulation is the most analytical stage. The strategy implementation stage relies most on empowerment to be successful, and hinges upon managers’ ability to motivate employees, which is more an art than a science. Strategy evaluation relies the most on statistics, as it deals with reviewing external and internal factors, measuring performance, and analyzing variances between expected vs. actual outcomes.

Answers to the End-of-Chapter 1 Assurance of Learning Exercises

Set 1: Strategic Planning for Coca-Cola

EXERCISE 1A

Gather Strategy Information for Coca-Cola Company

Answer:

Possible external opportunities/threats and internal strengths/weaknesses are listed below for Coca-Cola Company. The factors were derived from the sources suggested for finding information about Hershey, its rival firms, and the confectionery industry. Make sure students see the difference in internal vs. external factors. Remind students to be as specific as possible in stating each factor. Remind students also that key external and internal factors need to be actionable, quantitative, comparative, and divisional to the extent possible. Ask students to keep this information for use in later exercises.

Opportunities

- 1.** Soft drink consumption increased by 39% from 2012-2017 in the Asia Pacific region.
- 2.** Soda consumption in Africa is expected to rise 29% between 2015 and 2020.
- 3.** Bottled water consumption increased by 9% in 2016 in the United States.

4. Volume sales of sports drinks in the USA increased 10% from 2012 to 2015.
5. The global energy drink market is the fastest growing beverage market with a projected 3.7% growth from 2017 to 2022.
6. The global juice market is predicted to increase 3.4% between the years 2016 and 2024.
7. Ready to drink tea consumption grew by 3.7% in the USA in the year 2015.
8. Coffee consumption in the USA increased 5% in 2016.
9. The worldwide protein market grew 60% from 2016 to 2017.
10. The global snack food market is expected to be worth \$620 billion by 2021, a 5.8% increase.

Threats

1. USA soft drink consumption per capita decreased from 45.5 gallons in 2010 to 40.7 gallons in 2015.
2. The Healthy Eating Index of Americans has a projected growth of 1.7% to 69.6% of the recommended diet on average that Americans consume.
3. Sugar consumption in the USA has declined 14% since its peak in 1999.
4. Sales of full-calorie soda in the USA declined 25% between 1995 and 2015.
5. In 2016 Americans consumed 400 million more gallons of bottled water than soda.
6. Soda consumption in Mexico fell by 12% between 2014 and 2016 after the implementation of the "junk food" tax.
7. Daily soda consumption among USA teenagers declined 13% between 2007 and 2015.
8. Keurig, the largest coffee company in terms of sales, purchases Dr Pepper Snapple for \$18.7 million.
9. Soda sales in Berkley, CA, the first US city to impose sugar taxes, declined by 10% in the first year.
10. The beverage Dr Pepper posted a 1.3% increase in sales in 2016 while Pepsi and Coca-Cola both posted negative sales.

Strengths

1. 23 of the 34 largest restaurant chains in the USA serve Coca-Cola over Pepsi.
2. Dasani had a 5.3% increase in volume sales in 2016.
3. Monster energy drink sales increased by 50% between 2014 and 2015 and is now the second most consumed energy drink in the USA.
4. Coca-Cola serves the most countries globally at 200.
5. Simply Orange and Minute Maid are 2 of the 5 most consumed orange juices in the USA with \$940 million in 2016 sales.
6. PowerAde's market share has increased by 10% since 2006.
7. Coke's net Revenue in North America increased by 3.7% between 2015 and 2016.
8. Fairlife milk sales increased 79% in 2016.
9. Sprite had a 3.7% increase in global consumption in 3.7%.

10. Fanta added \$100 million in sales growth from 2015 to 2016.

Weaknesses

1. Overall Coca-Cola sales were down 11% from April 2016 to April 2017.
2. Net revenues have declined outside the USA by 16% from 2014 to 2016.
3. Total revenue declined by 5% from 2015 to 2016.
4. Net revenue declined by 4% in the Europe, Middle East, Africa division from 2015 to 2016.
5. Coca-Cola does not own a snack food brand while Pepsi generates 52% of its revenue from food.
6. PowerAde holds 20% of the sports drink market while Gatorade controls 77%.
7. Coca-Cola's ROA and ROE ratios are well below rivals'.
8. The beverage Coke volume of sales decreased by 0.01% in 2016.
9. Diet Coke sales volume declined 4.3% in 2016.
10. Coca-Cola's most popular ready to drink tea (Honest Tea) only holds 1.9% of the total sales in the market.

EXERCISE 1B

Enter Coca-Cola Vitals Into The Strategic Planning Template

Answer:

Use this exercise to get students moving around in the free Excel strategic planning template. Point out the two parts of the template as well as the hints and instructions. Let students know that nearly all business students are familiar enough with Excel to use the template efficiently. See the numerous benefits of using the template as listed at the author website.

Set 2: Strategic Planning for My University

EXERCISE 1C

Perform SWOT Analysis for My University

Answer:

Ask students to keep results of this exercise because, at the end of each chapter, at least one exercise applies chapter material to your university. Make sure students see the difference in internal vs. external factors, because Chapter 6 reveals that matching key external with internal factors is a key to effective strategic planning. Ask students to note the need to be as specific as possible in stating each factor. While answers to this exercise will vary for each institution, a sample is provided below.

Strengths:

1. Located in a state capital with several Fortune 500 companies nearby

2. \$200 million technology donation has resulted in high-tech facilities
3. Diverse (28%) student body and faculty, up from 21% three years prior
4. Visionary presidential leadership
5. Nationally-ranked programs in nursing and business
6. Athletic teams performing excellent, raising college visibility
7. Tuition 15% lower than peer institutions
8. Our engineering and life sciences buildings are new and modern
9. We operate at full capacity in our dorms

Weaknesses:

1. Urban campus with limited space for expanding campus
2. Police arrests on campus rising 5% annually
3. Gyms and athletic facilities 30 years old
4. Food service complaints up 11% vs. prior year
5. 30% of faculty are near retirement age and drawing high salaries
6. Student activity surveys indicate 14% decline in satisfaction
7. Alumni giving declining 10% annually
8. 30% of classes taught by adjunct faculty
9. Student/faculty ratio of 51 to 1 is higher than peer institutions

Opportunities:

1. 14% increase in percentage of minority students enrolling in college vs. prior year
2. Need for adult education programs in the area growing 15% annually
3. Demand for international and online programs growing 20% annually
4. Large local firms seek new certification programs from the institution
5. Demand for nursing graduates growing 12% annually
6. The USA GDP is rising 1% annually
7. Social media use is growing 6% annually in North and South America
8. Demand for engineers is growing 5% annually in the USA

Threats:

1. Pressure from state to admit marginal students in order to provide increased access for underserved minority students
2. Local two-year institutions offer courses 20% cheaper and less rigorous
3. 15% decline in international student applications
4. 12% annual decline in state funding levels
5. Major rival peer institutions offer and heavily market online degrees in our area
6. State population declining 4% annually
7. Unemployment rate stable at 9.0% causing many would-be students to have to work
8. The number of high school graduates is dropping 3% annually
9. The number of two-year tech school students is growing 8% annually
10. Demand for liberal arts degree students is declining 6% annually

Set 3: Strategic Planning to Enhance My Employability

EXERCISE 1D

Perform SWOT Analysis on Myself

Answer:

<p>Leave Blank</p>	<p>Strengths – S</p> <ol style="list-style-type: none"> 1. GPA in Finance is 3.8 2. My parents will pay for my college education 3. Strong communication skills 4. Motivated 5. Good team player 6. No student loans 7. Strong expertise in SPSS 8. Yes, I am mobile 	<p>Weaknesses – W</p> <ol style="list-style-type: none"> 1. No work experience 2. No foreign language skills 3. Degree in construction from two-year community college 4. Not certified to do anything 5. Weak writing skills
<p>Opportunities – O</p> <ol style="list-style-type: none"> 1. Demand for MBAs growing 5% 2. Health care and biotechnology industries growing 10% 3. USA GDP growing 1% 4. Online job searching is becoming easier 5. Online graduate degrees are readily available 6. The banking industry is growing 8% 	<p>SO Strategies</p> <ol style="list-style-type: none"> 1. Apply to graduate school (S1, S2, O1) 2. Apply to work for a bank (S1, S3, S4, S5, O6) 3. Apply to work for national hospital system (S1, S7, S8, O2) 	<p>WO Strategies</p> <ol style="list-style-type: none"> 1. Work full-time while going to grad school part-time (W1, O1) 2. Enroll in an online graduate degree program, while working part-time in the healthcare industry (W1, O2, O5)
<p>Threats – T</p> <ol style="list-style-type: none"> 1. Overabundance of students receiving BBA college degrees 2. Entry-level wages/salaries are very low 3. Political unrest in the Far East and Middle East 4. My university has weak placement operations 5. Some cities and states 	<p>ST Strategies</p> <ol style="list-style-type: none"> 1. Seek services of a national employment agency (S7, T4) 2. Aggressively seek outstanding references and put them on my résumé (S3, T4) 	<p>WT Strategies</p> <ol style="list-style-type: none"> 1. Enroll in an MBA Program (S1, T1) 2. Start my own construction business (W3, T2)

losing in population growth 6. Minorities and women may have edge of me in being hired simply due to EEOC		
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Set 4: Individual vs. Group Strategic Planning

EXERCISE 1E

How Detrimental Are Various Pitfalls in Strategic Planning?

Answer: The Expert Ranking

Pitfalls to Avoid In Doing Strategic Planning

Authors' Ranking (1 = most detrimental to 13 = least detrimental)

- | | |
|--|----|
| 1. Using strategic planning to gain control | 11 |
| 2. Doing strategic planning only to meet requirements | 4 |
| 3. Too hastily moving to strategy formulation | 3 |
| 4. Failing to communicate the plan to employees | 6 |
| 5. Top managers making too many intuitive decisions | 5 |
| 6. Top managers not actively supporting the process | 7 |
| 7. Not using plans as a standard to measure performance | 8 |
| 8. Delegating planning to a "planner" | 10 |
| 9. Failing to involve key employees | 12 |
| 10. Failing to create a collaborative climate for change | 9 |
| 11. Viewing planning as unnecessary | 1 |
| 12. Too engrossed in current problems to plan | 2 |
| 13. Being too formal in planning | 13 |

Rationale:

The authors have developed strategic plans for many companies. The rankings given above are based on their experience and the readings given at the end of Chapter 1, rather than being based on empirical research. First, millions of businesses, especially small businesses, view planning as unnecessary, so that pitfall is the #1 most potentially detrimental or severe. Millions more businesses report that they are too engrossed in current problems to plan, so that pitfall is the #2 most detrimental when it is encountered. Millions of businesses that do strategic planning in some form move too hastily from vision/mission to deciding/selecting strategies to pursue, bypassing the external and internal audit, so that pitfall is #3. Hundreds of thousands of businesses do strategic planning only to meet accreditation or government requirements, so that

pitfall is #4. At thousands of businesses that do strategic planning, the top managers make too many intuitive decisions without using planning matrices or taking the time to gather relevant data and statistics, so that pitfall is #5. The #6 most detrimental pitfall is doing strategic planning but not communicating the plan to employees who then basically work in the dark. The #7 pitfall is top managers not actively supporting the planning process for a variety of reasons ranging from differences of opinion about the process itself to disagreement about the strategies selected for implementation. The #8 pitfall most detrimental is doing strategic planning but not using the plans as a standard to measure performance, basically just filing the planning documents away rather than using them to guide operational and strategic expectations. The #9 pitfall is failing to create a collaborative climate for change; the only constant is change and change must be viewed as essential for the firm to successfully adapt to its external environment. Less potentially detrimental are pitfalls # 10, 11, 12, and 13 listed above that, respectively, deal with delegating planning to a planner or technocrat rather than using a collaborative approach, using the planning process to gain control over decision making, failing to involve key employees to help facilitate change, and being too formal, ritualistic in the planning process.

Answers to End-of-Chapter 1 Mini-Case Questions

MINI-CASE ON TESLA, INC. (TSLA)
 WHAT AMERICAN COMPANY DOES THE BEST JOB OF STRATEGIC PLANNING, AND HOW IS IT DONE?

Questions Posed:

1. Identify several external opportunities and threats that face Tesla.
2. Identify several internal strengths and weaknesses that face Tesla.
3. Match several of your external and internal factors to formulate several strategies that Tesla is (or could) use going forward.
4. What is Tesla's competitive advantage in the automobile industry?

Answer:

External Factor Evaluation (EFE) Matrix

	Opportunities
1	Nations worldwide comply with new climate and energy policies under the "Paris Agreement."
2	Electric cars sales reached 36%, 53%, and 13% growth in USA, China, and Europe from 2015 to 2016, respectively.

3	Electric vehicles benefit from tax incentives for renewable energy all around the world, including a federal income tax credit of \$7,500 in the USA.
4	Lower unemployment rate (4.1% in USA and 3.95% in China) increases the standard of living for American and Chinese citizens and their willingness to invest.
5	As of August 2017, the consumer confidence index was at 122.9, increase by 12.6% over the five years to 2017, which is a 16-year high.
6	Automakers, telecommunications giants, software companies, and app developers are seeing huge potential and are willing to invest billions in electric car infrastructure.
7	Millennials are willing to spend extra money for sustainable offerings and technological capability; 85% seek out responsible products when possible.
8	The world price of steel has fallen at an annualized rate of 2.2% during the period which are beneficial to profit margin.
9	An increase in average miles driven since 2014, including an acceleration to 3.5% growth in 2015 and a 2.8% increase in 2016, leads to parts wearing out and stimulates demand for new vehicles.
10	Gas is extremely volatile and is expected to increase in price in 2018.

	Threats
1	Since Tesla is a cyclical company, investors might hesitate to invest in it in case of a recession after nine years of a stable economy.
2	Industry revenue declined at an annualized rate of 4.2% over the five years to 2017 to reach \$94.8 billion, including a 15.8% decrease in 2017.
3	Ford and GM, among other competitors, will invest more than \$11 billion in fully electric vehicles by 2023.
4	Trade-weighted index (TWI) is expected to have risen at an annualized rate of 3.2% over the five years to 2017, which makes the U.S. dollar less appealing and slows export trade in 2017.
5	U.S. auto sales expected to fall 3% in 2017 due to rising interest rate of 25 basis point in 2017 after initial rise in March.
6	Republicans curtailed solar and wind power subsidies and instead showed the support of preserving billions in subsidies for fossil fuels.
7	Connecticut, Utah, Arizona, West Virginia, Michigan, and Texas prohibited sales of Tesla vehicles to consumers that would bypass dealerships.
8	In U.S., Tesla buyers' \$7500 tax credit will phase out once the total sales volume of electric vehicles reach 200,000 while buyers of other competitors will still receive the benefit.
9	China implemented 50% purchase tax reduction on purchase of locally manufactured cars.

10	Wages have risen at an annualized rate of 6.7% over the five years to 2017.
	Total EFE Score

With the economy experiencing upward and optimistic trends in recent years, Tesla can leverage on this upward trend and increase its presence in emerging markets as well as developed countries by installing additional Supercharger stations and stores worldwide, in order to allow better and quicker customer assistance. Tesla's business is also highly dependent on government policies and incentives. To counter these unfavorable government policies, the company should employ highly competent communication strategists or lobbyists to remove the no-sale policy in restricted states. Even though the automobile market has reached some level of maturity, the sales of electric vehicles is expected to increase in the coming years. Therefore, it is crucial for Tesla to step up the game and develop innovative models that the average population can afford.

Internal Factor Evaluation (IFE) Matrix

	Strengths
1	Automotive revenue increased \$2.16 billion, or 63% to \$5.59 billion during the year ended December 31, 2016 compared to the year ended December 31, 2015, primarily related to a 55% increase in vehicle deliveries to approximately 50,700.
2	Tesla Model 3 is affordable to the majority of the population and could reach out to new market segments.
3	Tesla is competitive in its technological innovation, product quality, and safety, and generating a brand perception that is luxurious and ingenious.
4	Energy generation and storage revenue increased \$166.9 million, or 1,153%, primarily due to \$84.1 million as a result of the inclusion of revenue from SolarCity from the acquisition date of November 21, 2016 through December 31, 2016.
5	Automotive leasing revenue increased \$452.4 million, or 146%, to \$761.8 million during the year ended December 31, 2016 compared to the year ended December 31, 2015.
6	Service and other revenue increased by \$404.3 million, or 131%, in the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016.
7	Tesla had \$1.4 billion of unused committed amounts under their credit facilities and financing funds.
8	Tesla maintains an excellent relationship with its 17,782 full-time employees and SolarCity Corporation (acquired)'s 12,243 full-time employees.
9	Tesla's second generation energy storage products, Powerpack 2 and Powerwall 2, offer significant price advantage per kWh and higher energy density.
10	Tesla focuses on direct customer experience and has many service options to assist customers directly from their company.

Weaknesses	
1	Tesla's total long-term debt amount has increased from \$364,976 to \$1,891,449, up 418% during the year ended December 31, 2016 compared to the year ended December 31, 2015.
2	Tesla experiences significant delays or other complications in the design, manufacture, launch, and production ramp of new vehicles and other products, which could harm financial condition and operating results.
3	R&D expenses increased \$116.5 million, or 16%, to \$834.4 million during the year ended December 31, 2016 compared to the year ended December 31, 2015.
4	Cost of automotive revenues increased \$1.63 billion, or 62%, to \$4.27 billion during the year ended December 31, 2016 compared to the year ended December 31, 2015.
5	Limited amount of charging stations; 790 Supercharger stations and 4140 locations worldwide have Tesla wall connectors as of December 31, 2016.
6	Tesla's operations are subject to foreign currency and interest rate fluctuations since total revenue consists of 60% U.S., 15% China, 8% Norway, and 20% other countries.
7	Compared to other car manufacturers, such as BMW, Audi, and Ford, Tesla has considerably less experience in the industry with its first electric vehicle production starting in 2008.
8	Employees at Tesla complain about work conditions, safety instructions, and racial harassment.
9	Future growth and success is dependent upon consumers' willingness to adopt electric vehicles, especially in the mass market demographic which Tesla is targeting with Model 3.
10	Tesla is highly dependent on the services of CEO Elon Musk, who is also responsible for two other companies.
Total IFE Score	

Tesla is unique in the effort in providing a direct customer experience. However, this also slows down the process of delivery and timely vehicle assistance. Therefore, to counter this weakness, Tesla should focus on improving the logistic process with suppliers by forming a long-term strategic partnership that will secure the timely distribution of high quality materials. Tesla should also improve the logistic process with customers by setting up additional Tesla stores in each metropolitan area. The company is impressive in product development, which results in high revenue generation. However, Tesla should evaluate the capital allocation strategy to avoid incurring profit loss and excessive use of debt.

SWOT Matrix (Proposed Strategies)

SO Strategies	
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1	Host events in major cities worldwide with celebrity advocates to increase brand awareness and introduce Tesla's most recent tech features (S10, O1).
2	Hire three financial planning and investor relationship personnel to network with a Wall Street banker to bring in more funds from institutional investors (S1, S4, O6).
3	Organize six environmental awareness campaigns in industry districts of Asia, Europe, and U.S. to promote electrification of transportation (S10, O1).

ST Strategies	
1	Expand the electric vehicle product line by five new and affordable models, including family SUVs and trucks, to maintain a strong, competitive position in the market (S2, T3).
2	Research and develop second-to-none safety features in autonomous cars to ensure the customers' confidence in our products (S3, T3).
3	Implement a wellness program offering appealing work benefits for Tesla employees to attract workers, enhance performance, and maintain a strong, positive reputation (S8, T10).
4	Offer timely and excellent customer service by setting up at least one customer service center in a major city in each state to maintain a strong customer base and loyal customers (S10, T3).

WO Strategies	
1	Build a new Gigafactory in China to decrease delays and increase overall manufacturing efficiency in the growing EV market (W2, W6, O2).
2	Increase the number of Tesla Superchargers worldwide by 50% to facilitate the use of electric vehicles (W5, O10).
3	Increase marketing and promotion expenditures by 45% through implementing a marketing strategy targeting millennials and early adopters (W9, O7).

WT Strategies	
1	Increase Human Resource funds by 20% for a Cafeteria Model to retain and recruit top talent employees (W6, T10).
2	Hire two headhunters who specialize in recruiting experts for business departments as well as technical departments (W10, W2, W4, W9, T1, T2, T3, T10).
3	Aim for developing long-term partnerships with quality suppliers and technical companies that are reliable and willing to invest in the company (W3, T1).
4	Hire three lobbyists to persuade politicians to pass laws that allow Tesla to sell cars in restricted states (Connecticut, Michigan, Arizona, Utah, West Virginia, Texas) (W2, T7).

Tesla stands on the frontier of automobile innovation and is associated with a luxurious and extravagant lifestyle. In the future, the company positions itself to be more affordable and suitable to the average population. Therefore, it is crucial for Tesla to build additional

stores and customer service centers, in order to be accessible for customers all around the world. Besides this, Tesla needs to demonstrate operational excellence by employing the most competent personnel. By doing this, the company is able to bring in more institutional funding and increase the use of debt. In addition, it's important to increase Tesla's brand awareness and stay committed to the goal to increase market share across the globe. Looking forward, Tesla's strategies intertwine with the goal to improve logistic, increase sales, and keep innovating.

ADDITIONAL NOT-IN-THE-BOOK ASSURANCE OF LEARNING EXERCISES WITH ANSWERS CHAPTER 1

ASSURANCE OF LEARNING EXERCISE 1AA:

Compare Business Strategy with Military Strategy

Purpose

This exercise will enable you to compare and contrast military strategy with business strategy because in many ways, operating a business is similar to conducting a military campaign. Many strategic-management concepts evolved out of the military. Napoleon Bonaparte listed 115 maxims for military strategy. U.S. Civil War General Nathan Bedford Forrest, however, had only one strategic principle: "to git thar furst with the most men" (to get there first with the most men). The strategy concepts given as essential in the United States Army's Field Manual (FM-3-0) of Military Operations (sections 4-32 to 4-39) say there are nine key military strategy maxims:

1. Objective—direct every military operation towards a clearly defined, decisive, and attainable objective
2. Offensive—seize, retain, and exploit the initiative
3. Mass—concentrate combat power at the decisive place and time
4. Economy of Force—allocate minimum essential combat power to secondary efforts
5. Maneuver—place the enemy in a disadvantageous position through the flexible application of combat power
6. Unity of Command—for every objective, ensure unity of effort under one responsible commander
7. Security—never permit the enemy to acquire an unexpected advantage
8. Surprise—strike the enemy at a time, at a place, or in a manner for which he is unprepared
9. Simplicity—prepare clear, uncomplicated plans and clear, concise orders to ensure thorough understanding

Instructions

- Step 1** Consider the extent to which each of the nine maxims listed are applicable in formulating and implementing strategies in a business setting.
- Step 2** Rank order the nine maxims above, from 1 = most important to 9 = least important in formulating and implementing strategies in a business setting.
- Step 3** Compare your ranking to the authors' ranking by getting the difference between each of your rankings and each of the authors rankings, and summing those differences, i.e., summing the absolute value of those differences.
- Step 4** Determine who in the class has the lowest summed difference score. This student(s) scored best in the class on this exercise based on the author rankings.

Answer:

All nine of the military maxims listed in this exercise do have direct business applications, as indicated below. Rankings as to relative importance with rationales will vary by industry and situation.

1. Objective – Numerous benefits of objectives are given in Chapters 1 & 5; objectives are vital for business success.
2. Offensive – As revealed in Chapters 5 & 6, being aggressive is appropriate in many business strategy settings, but not all. Sometimes defensive strategies are best, such as retrenchment and divestiture.
3. Mass – This is almost always applicable in a business setting. Rarely can firms pursue a little bit of many strategies. In contrast, tough strategic decisions must generally be made among many alternative strategies that could benefit the firm – and then commit substantial resources to the chosen direction.
4. Economy of Force – Businesses must cull unprofitable and secondary endeavors, and focus on profitable, growth segments and areas.
5. Maneuver – Gaining and sustaining competitive advantage is a huge need for businesses; this can be achieved by knowing the rival firms and continuously putting those firms at a disadvantage in terms of price and service.
6. Unity of Command – Businesses commonly assign a “champion” for new products, i.e., a lead person. In addition, businesses increasingly delegate accountability and responsibility to a President of various segments.
7. Security – Businesses continuously gather and analyze competitive information trying to never let rival firms surprise them with new products/services/strategies.
8. Surprise – Businesses do seek to put rival firms out of business by aggressively identifying and attacking their weak areas in unsuspecting ways.
9. Simplicity – Businesses realize that good communication leads to excellent understanding which leads to high commitment to achieve objectives; simplicity rather than complexity is necessary.

EXERCISE 1BB

Strategic Planning at a Local Company

Purpose

This activity is aimed at giving you practical knowledge about how organizations in your city or town are doing strategic planning. This exercise also will give you experience interacting on a professional basis with local business leaders.

Instructions

- Step 1** Contact several business owners or top managers. Find an organization that does strategic planning. Make an appointment to visit with the strategist (president, chief executive officer, or owner) of that business.
- Step 2** Seek answers to the following questions during the interview:
- How does your firm formally conduct strategic planning? Who is involved in the process? Does the firm hold planning retreats? If yes, how often and where?
 - Does your firm have a written mission statement? How was the statement developed? When was the statement last changed?
 - What are the benefits of engaging in strategic planning?
 - What are the major costs or problems in doing strategic planning in your business?
 - Do you anticipate making any changes in the strategic-planning process at your company? If yes, please explain.
- Step 3** Report your findings to the class.

Answer: Answers will vary for each student. The following questions could be used to guide the class discussion.

- Were organizations more formal versus informal planning? How did formality vary by size and type of firm?
- How many of the firms had a written vision and/or mission statement? How did this vary by size and type of firm?
- Did the persons interviewed recognize the benefits of strategic planning? How did the persons interviewed inform the organizations' employees of the strategic plans and the benefits of strategic planning?

EXERCISE 1CC

Get Familiar With the Author Website

Purpose

You may use for free all the resources provided at the author website, **www.strategyclub.com**, including the downloadable Excel student template. Thousands of students have found this template to be immensely useful in preparing a strategic management case analysis.

Instructions

- Step 1** Go to the www.strategyclub.com website. Review the following free resources:
1. Excel student template
 2. Sample case analysis PowerPoints
 3. Live author videos
 3. Live case analysis presentations
 4. Chapter and case updates
- Step 2** Prepare to give your class an overview of your impression of the website.

Answer:

A popular Excel Student Template is provided free to all students who use this textbook. Just go to the **www.strategyclub.com** website. Widely used for more than a decade by both students and businesses for actually doing strategic planning, and improved continually by the authors, the free Excel Student Template enables students to more easily apply strategic-management concepts, while engaging in assurance of learning exercises or case analysis. Using the Template, students can devote more time to applying strategy concepts and less time to the mechanics of formatting strategy matrices, tables, and PowerPoints. It would likely be worthwhile to show in class the four-minute author video that introduces each chapter in the text. The sample case analyses provided at the website are also excellent.

EXERCISE 1DD

Game Plans vs. Strategic Plans: Teams vs. Companies

Purpose

As discussed in Chapter 1, athletic teams develop elaborate game plans to compete against rival teams. This exercise can get you familiar with how game planning for a football or basketball game compares to strategic planning for a company, organization, or even for an institution such as your college or university.

Instructions

- Step 1** Make an appointment to visit with a head football, basketball, or soccer coach at your college or university. Ask that person about how they develop a game plan for their most important rival team.
- Step 2** Report back to class on your findings. Compare and contrast what the coach told you versus what you read in Chapter 1 about strategic planning in a business setting.

Answer: Answers will vary by student but should be quite interesting, especially since most guys and gals in class likely played some kind of sport sometime in their schooling.