**Chapter 5**

**STRATEGIC AND OPERATIONAL PLANNING**

Chapter Outline

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3. Strategic Versus Operational Planning and Strategies
4. The Strategic Planning Process
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6. ANALYZING THE ENVIRONMENT
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11. Criteria for Objectives
12. Management by Objectives (MBO)
13. CORPORATE STRATEGIES
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15. Growth Strategies
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25. IMPLEMENTING AND CONTROLLING STRATEGIES

Changes From 5e to 6e Chapter 5

* The chapter has been updated, and 96 percent of the references are new to this chapter.
* The Starbucks opening case has been undated and rewritten with more focus on CEO Schultz, and questions have been changed.
* In the opening section, two of the subsections have been reorganized into one.
* The Mission section has more coverage of vision.
* The Analyzing the Environment section subsection Industry and Competitive Situation has been shortened to focus on Exhibit 5–4.
* The corporate objective examples are all new.
* The Portfolio Analysis has been condensed.
* The Entrepreneurial Strategy Matrix has been removed.
* Appendix B has been moved into the chapter with the subsection Time Management in the Operational Planning section, and most of it has been rewritten. There are two new review and discussion questions related to time management.
* There is a new subsection discussing Multitasking, in the Operational Planning section. There is a new review and discussion questions related to multitasking.
* Skill Builder 3, Entrepreneurial Strategic Planning, has been moved to Chapter 6.
* The Time Management Skill Builder from Appendix B is now within the chapter as a third activity.

Lecture Outline

**Note:** The textbook supplements include a PowerPoint presentation for each chapter, which can be used rather than or in addition to this lecture outline.

1. STRATEGIC AND OPERATIONAL PLANNING

There is an old saying: “When you fail to plan, you plan to fail.” Research supports this saying, as planning includes four major benefits: enhanced product and venture development, speedier decision making, better management of resources, and clearer identification of the action steps needed to reach important goals. To be successful, you need to set objectives and plan how to achieve them.

1. **Planning Dimensions**

Planning has several dimensions. Exhibit 5–1 summarizes the five planning dimensions: management level, type of plan, scope, time, and repetitiveness. Note that upper-level and some middle-level managers spend more time developing strategic, broad/directional, long-range, single-use plans for the organization. Other middle-level and all lower-level managers, in contrast, spend more time specifying how the strategic plans will be accomplished by developing operational, narrow/specific, short-range plans and implementing standing plans (policies, procedures, and rules).

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| **Review Question (RQ) 5–1. What are the five planning dimensions?**  The five planning dimensions are (1) management level, (2) type of plan, (3) scope, (4) time, and (5) repetitiveness. |

B. Strategic Versus Operational Planning and Strategies

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| Learning Outcome (LO) 1. Describe how strategic planning differs from operational planning.  The primary differences concern the time frame and the level of management involved. Strategic planning involves developing a mission and long-range objectives and plans; operational planning involves short-range objectives and plans. Upper-level managers develop strategic plans, and middle- and lower-level managers develop operational plans. |

1. **Strategic Versus Operational Planning**

**Strategic planning** is the process of developing a mission and long-range objectives and determining in advance how they will be accomplished.**Operational planning** is the process of setting short-range objectives and determining in advance how they will be accomplished.

The differences between strategic planning and operational planning are primarily the time frame and management level involved. Strategic planning includes developing a mission statement and long-term objectives. Long-term generally means that it will take longer than one year to achieve the objective. Strategic plans are commonly developed for five years and reviewed and revised every year so that a five-year plan is always in place. Upper-level managers develop strategic plans. Operational plans have short-term objectives that will be met in one year or less. Middle- and lower-level managers develop operational plans.

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| **RQ 5–2. What are the two types of plans?**  The two types of plans are strategic plans and operational plans. |

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| **Communication Skills Question (CSQ) 5–1. Why are strategic and operational planning important?**  Answers will vary, but students should realize the importance of planning. Planning includes four major benefits: enhanced product and venture development, speedier decision making, better management of resources, and clearer identification of the action steps needed to reach important goals. |

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| WORK APPLICATION Example student answer  **5–1. Give an example of a strategic objective and an operational objective from an organization you work for or have worked for.**  I worked for the Shawmut Bank in Boston, and one of its strategic objectives was to become the leading bank in Boston. In the operations department that I worked in, the operational objective was to process all the checks each night from all of the branches. |

1. **Strategic and Operational Strategies**

A **strategy** is a plan for pursuing a mission and achieving objectives.Strategic and operational types of plans include three *planning levels*: corporate, business, and functional. Each of these levels of planning requires strategies. The corporate and business levels are part of strategic planning, and the functional level is part of operational planning.

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| **RQ 5–3. Is there a difference between a plan and a strategy?**  A strategy is a plan for pursuing a mission and achieving objectives. |

Corporate- and business-level planning and their strategies are part of strategic planning. A *corporate strategy* is the strategic plan for managing multiple lines of business. In essence, there is more than one business within the corporation. A *business**strategy* is the strategic plan for managing one line of business.

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| **RQ 5–4. Which planning levels and their strategies are part of strategic planning?**  Corporate- and business-level planning and their strategies are part of strategic planning. |

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| WORK APPLICATION Example student answer  **5–2. Does a business you work for or have worked for have one or multiple lines of business? List the line(s).**  I worked as an intern for Honda in Connecticut, and I didn’t realize it had all the various lines of businesses that they offer—cars, motorcycles, garden tillers, lawn mowers, snow blowers, snowmobiles, power generators, and outboard motors. |

Functional strategies are part of operational planning. A *functional strategy* is the operational plan for managing one area of a business. The functional areas are marketing, finance and accounting, operations/production, human resources, and others, depending on the line of business. Every corporate line of business and independent business should have functional strategies.

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| **CSQ 5–2. Should all businesses have corporate, business, and functional strategies?**  No. A business with only one line of business does not need a corporate strategy. |

The two types of planning and the three levels with their strategies must be coordinated through the strategic planning process. Exhibit 5–2 illustrates the relationship between strategic and operational planning and their three planning levels.

C. **The Strategic Planning Process**

The steps in the*strategic planning process* are (1) developing the mission, (2) analyzing the environment, (3) setting objectives, (4) developing strategies, and (5) implementing and controlling strategies. Developing strategies takes place at all three levels of management. Exhibit 5–3 illustrates the strategic planning process. Notice that the process is not simply linear; it does not proceed through steps 1 through 5 and then end. As the arrows indicate, managers may need to return to prior steps and make changes as part of an ongoing process.

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| **RQ** **5–5. What are the steps in the strategic planning process?**  The steps in the strategic planning process are (1) developing the mission, (2) analyzing the environment, (3) setting objectives, (4) developing strategies, and (5) implementing and controlling strategies. |

1. DEVELOPING THE MISSION

Developing the mission is the first step in the strategic planning process. However, after analyzing the environment, managers should reexamine the mission to see if it needs to be changed. The mission is the foundation of the other four steps in the strategic planning process. Recall from Chapter 2 that the organization’s mission is its purpose or reason for being. The mission provides an organization’s identity by answering the question, “Who are we as an organization?” A mission also creates a *vision* that defines where the company is headed in inventing its future and why. It contains the expectations the organization strives to meet.

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| **RQ 5–6. What is the relationship between the mission statement and developing strategies?**  Developing the mission is the first step in the strategic planning process. The mission is the foundation of the other four steps in the strategic planning process. |

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| **CSQ 5–3. Should a mission statement be customer focused?**  Yes. The entire business, including the mission statement, should focus on customer value. |

1. ANALYZING THE ENVIRONMENT

A business strategy must be congruent with the capabilities of the firm and its external environment. Analysis of internal and external environment factors, the second step of the strategic planning process, determines such congruence. Analyzing the environment is also known as situation analysis. A **situation analysis** focuses on those features in a company’s environment that most directly affect its options and opportunities. This analysis has three parts: industry and competitive situation analysis, company situation analysis, and identification of a competitive advantage. Keep in mind that companies with multiple lines of business must conduct an environmental analysis for each line of business.

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| **RQ 5–7. Why is a company situation analysis part of the strategic planning process?**  A company situation analysis is used at the business level to determine the strategic issues and problems that need to be addressed through the next three steps of the strategic planning process. |

1. **Situation Analysis**

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| LO 5–2. Explain the reason for conducting an industry and competitive situation analysis.  The industry and competitive situation analysis is used to determine the attractiveness of an industry. It is primarily used at the corporate level of strategy to make decisions regarding which lines of business to enter and exit and how to allocate resources among lines of business. |

1. **Industry and Competitive Situation Analysis**

Industries vary widely in their makeup, competitive situation, and growth potential.

Competition in an industry is a composite of five forces that should be considered in analyzing the competitive situation:

1. Rivalry among competing sellers in the industry
2. Threat of substitute products and services
3. Potential new entrants
4. Power of suppliers
5. Power of buyers

See Exhibit 5–4 for Starbucks analysis.

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| WORK APPLICATION Example student answer  **5–3. Conduct a simple five-force competitive analysis for a company you work for or have worked for. Use Exhibit 5–4 as an example.**  I work part time for Springfield College.   1. *Rivalry among competing sellers in the industry.* The local rivalry includes Springfield College, American International College, Western New England College, and the University of Massachusetts, plus thousands of other colleges across the country. 2. *Threat of substitute products and services.* Substitutes are not a problem since most people want a degree. 3. *Potential new entrants.* New entrants are not very likely because most colleges are nonprofit and there is little incentive to start one. 4. *Power of suppliers.* I’m not too familiar with suppliers, but I don’t think they have much power. 5. *Power of buyers.* The student buyers number around 5,000, and they are not organized and have no direct power to set tuition prices. |

**2. Company Situation Analysis**

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| LO 5–3. Explain the reason for conducting a company situation analysis.  The company situation analysis is used at the business level to determine the issues and problems that need to be addressed through the strategic planning process. |

A company situation analysis is used at the business level to determine the strategic issues and problems that need to be addressed through the next three steps of the strategic planning process. A complete company situation analysis has five key parts:

1. *Assessment of the present strategy based on performance.* This assessment can be a simple statement or a more complex comparison of performance indicators (market share, sales, net profit, return on assets, and so on) over the last five years.
2. *SWOT analysis.* An organization’s internal environmental strengths and weaknesses and external environmental opportunities and threats are determined through a **SWOT analysis**. (SWOT stands for strengths, weaknesses, opportunities, and threats.) In a SWOT analysis, the internal environmental factors analyzed for *strengths* and *weaknesses* are management and culture, mission, resources, systems process, and structure. The external environmental factors analyzed for *opportunities* and *threats* are customers, competitors, suppliers, labor force, shareholders, society, technology, the economy, and governments.

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| WORK APPLICATION Example student answer  **5–4. List a couple of the major strengths and weaknesses of an organization you work for or have worked for.**  Springfield College’s major strength is its small classes, which enable faculty to take a personal interest in students. Major weaknesses include the high cost of tuition versus state colleges and the deterioration of the area around the college. |

1. *Assessment of competitive strength and identification of competitive advantage.* If a strategy is to be effective, it must be based on a clear understanding of the competition. In assessing competitive strength, managers compare the *critical success factors* for their business to those of each major competitor. Critical success factors are the few major things that the business must do well to be successful.
2. *Conclusions concerning competitive position.*
3. *Determination of the issues and problems that need to be addressed through the strategic planning process.*

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| **CSQ 5–4. Should all businesses formally analyze the environment?**  Answers will vary, but students should realize the importance of analyzing the environment and how it determines how congruent the business strategy is with capabilities of the firm and its external environment. |

1. **Competitive Advantage**

A **competitive advantage** *specifies how an organization offers unique customer value.* It answers the questions: What makes us different from the competition? Why should a person buy our products or services rather than those of our competitors? A *core competency* is what a firm does well. By identifying core competencies, managers can oversee the creation of new products and services that take advantage of the company’s strengths.

**Benchmarking** is the process of comparing an organization’s products or services and processes with those of other companies. In benchmarking, managers try to find out about other products and processes, through *competitive intelligence*, and copy them or improve upon them legally and ethically.

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| **CSQ 5–5. Should all businesses have a competitive advantage?**  Answers will vary. |

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| **CSQ 5–6. Is it ethical to copy other companies’ ideas through benchmarking?**  Yes. It’s the American way, as long as companies don’t illegally break trademarks, patents, copyrights, etc. |

After managers have evaluated the organization and the competition by completing the situation analysis, they should go back and review the mission and its vision to see if it needs to be changed. Remember that situation analysis is an ongoing process, referred to as *scanning the environment.* It tells what is going on in the external environment that may require change to continually improve customer value.

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| JOIN THE DISCUSSION: ETHICS & SOCIAL RESPONSIBILITY – 5–1  Crop Genetic Structure  Answers will vary based on opinion. |

1. SETTING OBJECTIVES

After developing a mission and completing a situation analysis, managers are ready for the third step in the strategic planning process: setting objectives that flow from the mission to address strategic issues and problems identified through the situation analysis. Objectives are results; they do not state how they will be accomplished.

*Goals* state general, broad targets to be accomplished.**Objectives** state what is to be accomplished in singular, specific, and measurable terms with a target date. Goals should be translated into objectives.

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| **CSQ 5–7. Are both goals and objectives necessary for a business?**  Yes. Businesses should start with general, broad targets and then translate these into measurable terms. |

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| WORK APPLICATION Example student answer  **5–5. State one or more goals of an organization you work for or have worked for.**  At Domino’s Pizza, our goal is to deliver the pizza within 30 minutes. |

**A. Writing Effective Objectives**

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| LO 5–4. List the parts of an effective written objective.  The parts of the objective are (1) *to* + (2) action verb + (3) specific and measurable result to be achieved + (4) target date. |

Max E. Douglas developed a model that is helpful in writing effective objectives. One variation on Douglas’s model, shown in Model 5–1, includes (1) the word *to* followed by (2) an action verb, (3) a statement of specific and measurable result to be achieved, and (4) a target date.

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| **RQ 5–8. What is the “writing effective objectives” model?**  The “writing effective objectives” model includes (1) the word *to* followed by (2) an action verb, (3) a statement of the specific and measurable result to be achieved, and (4) a target date. |

**B. Criteria for Objectives**

As the model for writing objectives implies, an effective objective conforms to three “must” criteria: It expresses a *specific* and *measurable* result, and it sets a *date* for achieving that result. To avoid confusion, each objective should contain only one result—singular.

1. **Specific**

The objective should state the exact level of performance expected.

1. **Measurable**

If people are to achieve objectives, they must be able to observe and measure their progress regularly to determine if the objectives have been met.

1. **Target Date**

A specific date should be set for accomplishing the objective.

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| APPLYING THE CONCEPT Answers  AC 5–1—Objectives  c 1. Measurable. How will you know if you are perceived as the best?  d 2. Target date. It is more effective to set a specific date than to give a time span.  d 3. Target date. By when will the objective be met?  a 4. Single result. The objective should contain only one product.  b 5. Specific. By how much? |

In addition to the four “must” criteria, objectives may conform to three “want” criteria.

1. **Difficult but Achievable (Realistic)**

A number of studies show that individuals perform better when given difficult but achievable objectives rather than objectives that are too difficult or too easy. *Realistic* is a subjective concept; therefore, realism is a “want” rather than a “must” criterion for objectives.

1. **Participatively Set**

Groups that participate in setting their objectives generally outperform groups with assigned objectives. Because it is not always appropriate to have a group set its objectives, this is a “want” rather than a “must” criterion.

1. **Acceptance and Commitment**

If objectives are to be met, employees must accept them and be committed to achieve them. If employees do not commit to an objective, then even if it meets all the other “must” and “want” criteria, it may not be accomplished. Because acceptance and commitment vary from individual to individual and because there are times when managers must set objectives that employees will not like, acceptance and commitment are “want” criteria.

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| **RQ 5–9. What criteria should an objective meet?**  An effective objective conforms to four “must” criteria: It expresses a *single result* that is *specific* and *measurable*, and it sets a *date* for achieving that result. In addition to the four “must” criteria, objectives may conform to three “want” criteria: difficult but achievable (realistic), participatively set, and acceptance and commitment. |

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| **CSQ 5–8. Is it important to write objectives?**  Yes. Writing objectives helps to make sure they meet the criteria of being effective, and it improves commitment to their attainment. Research studies have revealed that a majority of successful people have written objectives. |

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| WORK APPLICATION Example student answer  **5–6. Using the model for writing objectives, write one or more objectives for an organization you work for or have worked for, making sure they meet the “must” criteria.**  To increase car sales by 5 percent by 2012. |

1. **Management by Objectives (MBO)**

**Management by objectives (MBO)** is the process in which managers and their employees jointly set objectives for the employees, periodically evaluate performance, and reward according to the results.

MBO has three steps:

**Step 1. Set individual objectives and plans.** The manager sets objectives with each individual employee. The objectives are the heart of the MBO process and should meet the “must” and “want” criteria.

**Step 2. Give feedback and evaluate performance.** Communication is the key factor in determining MBO’s success or failure. Thus, the manager and employee must meet frequently to review progress. The frequency of evaluations depends on the individual and the job performed.

**Step 3. Reward according to performance.** Employees’ performance should be measured against their objectives. Employees who meet their objectives should be rewarded through recognition, praise, pay raises, promotions, and so on.

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| **CSQ 5–9. As a manager, would you use management by objectives (MBO)?**  Answers will vary. |

1. CORPORATE STRATEGIES

After the mission has been developed, the situation analysis has been completed, and objectives have been set, managers move on to the fourth step of the strategic planning process: developing strategies at the corporate, business, and functional levels.

1. **Grand Strategy**

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| LO 5–5. Describe the four grand strategies.  With a growth strategy, the firm aggressively pursues increasing its size. With a stability strategy, the firm maintains the same size or grows slowly. With a turnaround strategy, the firm attempts a comeback; with retrenchment, it decreases in size. With a combination strategy, two or more of the three strategies are used for different lines of business. |

**Grand strategy** is an overall corporate strategy for growth, stability, or turnaround and retrenchment, or for some combination of these. Each grand strategy aligns with different objectives.

1. **Growth**

With a *growth strategy*, the company makes aggressive attempts to increase its size through increased sales.

1. **Stability**

With a *stability strategy*, the company attempts to hold and maintain its present size or to grow slowly. Rather than increasing its size aggressively as with a growth strategy, the company attempts to balance growth and profits.

1. **Turnaround and Retrenchment**

A *turnaround strategy* is an attempt to reverse a declining business as quickly as possible. A *retrenchment* *strategy* is the divestiture or liquidation of assets. These strategies are listed together because most turnarounds include retrenchment. Turnaround strategies generally attempt to improve cash flow by increasing revenues, decreasing costs, reducing assets, or combining these strategies.

A *spinoff* is a form of retrenchment in which a corporation sets up one or more of its business units as a separate company rather than selling it.

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| **RQ 5–10. What are the grand strategies?**  The grand strategies are growth, stability, and turnaround and retrenchment. |

1. **Combination**

A corporation may pursue growth, stability, and turnaround and retrenchment for its different lines of business or areas of operation.

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| WORK APPLICATION Example student answer  **5–7. State the grand strategy for an organization you work for or have worked for.**  I worked part time for Sims Doug Store, an independent pharmacy. The grand strategy was a stability strategy. Sims was trying to keep customers from leaving for national chains in the area such as CVS and Walgreens. One advantage Sims had over its national competitors was free delivery of prescriptions. |

1. **Growth Strategies**

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| LO 5–6. Describe the three growth strategies.  With a concentration strategy, the firm grows aggressively in its existing line(s) of business. With integration, the firm grows by entering forward or backward lines of business. With diversification, the firm grows by adding related or unrelated products. |

A company that wants to grow has three major options. These **growth strategies** are concentration, backward and forward integration, and related and unrelated diversification.

1. **Concentration**

With a *concentration strategy*, the organization grows aggressively in its existing line(s) of business.

1. **Integration**

With an *integration strategy*, the organization enters a new line or lines of business related to its existing one(s). *Forward integration* occurs when the organization enters a line of business closer to the final customer. *Backward integration* occurs when the organization enters a line of business farther away from the final customer.

1. **Diversification**

With a *diversification strategy*, the organization goes into a related or unrelated line of products. *Related (concentric) diversification* is growth by offering new products related to existing products. *Unrelated (conglomerate)* *diversification* is growth by offering new lines of business.

Exhibit 5–9 summarizes strategies at a corporate level.

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| **CSQ 5–10. Which growth strategy would you say is the most successful?**  Answers will vary, but students should realize that there is no one best approach to management and that whatever strategy is used depends on the situation. |

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| APPLYING THE CONCEPT Answers  AC **5–**2—Growth Strategies  b 6. Related diversification. Sporting goods can consist of clothing and equipment, which are different and separate but linked together.  e 7. Backward integration. This is going from retail back to manufacturing.  d 8. Unrelated diversification. WD-40 and Duracell Battery are very different lines of businesses.  a 9. Concentration. This is growth within the same line of business.  c 10. Forward integration. This is going from manufacturing to retailing. |

1. **Merger and Acquisition Growth Strategy**

Companies can pursue a growth strategy by means of mergers, acquisitions, joint ventures, or strategic alliances. Companies engage in mergers and acquisitions to decrease competition, to compete more effectively with larger companies, to realize economies of size, to consolidate expenses, and to achieve access to markets, products, technology, resources, and management talent.

A **merger** occurs when two companies form one corporation.

An **acquisition** occurs when one business buys all or part of another business. One business becomes a part of an existing business.

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| **RQ 5–11. What is the difference between a merger and an acquisition?**  A merger occurs when two companies form one corporation, whereas an acquisition occurs when one business buys all or part of another business. |

As discussed in Chapter 4, a joint venture is created when firms share ownership of a new enterprise, while a strategic alliance is an agreement to share resources that does not necessarily involve shared leadership.

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| WORK APPLICATION Example student answer  **5–8. Identify any growth strategies used by an organization you work for or have worked for. Be sure to identify the type of growth strategy and note if any mergers, acquisitions, joint ventures, or strategic alliances were used.**  In high school, I worked for an old, downtown movie theater that showed movies for $2 after the local mall ran them first run. There were two such movie theaters downtown. The two owners used a concentration strategy and merged and closed the theater I worked at to cut expenses. There weren’t enough people to fill one theater anyway. The second one closed down after around four years. |

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| JOIN THE DISCUSSION: ETHICS & SOCIAL RESPONSIBILITY – 5–2  Insider Trading  Answers will vary based on opinion. |

1. **Portfolio Analysis**

**Business portfolio analysis** is the corporate process of determining which lines of business the corporation will be in and how it will allocate resources among them. A *business line*, also called a *strategic business unit (SBU)*, is a distinct business having its own customers that is managed independently of other businesses within the corporation. What constitutes an SBU varies from company to company, but it can be a division, a subsidiary, or a single product line.

An industry and competitive situation analysis can be used to analyze a business portfolio. A more popular approach to analyzing a business portfolio is to create a Boston Consulting Group (BCG) Growth-Share Matrix for each line of business or product line as a business strategy. A BCG matrix contains four cells:

* *Cash cows* generate more resources than they need; they often have low growth but high market share. Cash cows tend to have stability strategies.
* *Stars* are emerging businesses with high growth and market share. Stars require continuing investment of profits into the product if they are to become cash cows. Stars tend to have growth strategies.
* *Question marks* are entries into new businesses in high-growth markets; such entries start out with negative returns and low market share. Question marks need investments from other lines of business to develop into stars. Question marks tend to have growth strategies.
* *Dogs* have low returns in a low-growth market and have low relative market share. Dogs are often divested or liquidated when they no longer provide acceptable profits. Dogs tend to have turnaround and retrenchment strategies.

A company in a single line of business cannot conduct a business portfolio analysis. However, it should perform a *product portfolio analysis*.

1. BUSINESS STRATEGIES

Each line of business must develop its own mission, analyze its own environment, set its own objectives, and develop its own strategies. For the organization with a single line of products, corporate and business strategies are the same. For the organization involved in multiple lines of business, linking corporate strategy with operations at the business unit level determines success.

1. **Adaptive Strategies**

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| LO 5–7. Discuss the three adaptive strategies.  With the prospecting strategy, the firm aggressively offers new products or services and/or enters new markets. With the defending strategy, the firm stays with its product or line and markets. With the analyzing strategy, the firm moves into new markets cautiously and/or offers a core product group and seeks new opportunities. |

Adaptive strategies emphasize adapting to changes in the external environment and entering new markets as a means of increasing sales. The **adaptive strategies** are prospecting, defending, and analyzing. Each adaptive strategy reflects a different objective.

1. **Prospecting**

The *prospecting strategy* calls for aggressively offering new products and services and/or entering new markets. The prospecting strategy resembles the grand strategy of growth.

1. **Defending**

The *defending strategy* calls for staying with the present product line and markets and maintaining or increasing customers. Defending resembles the stability grand strategy.

1. **Analyzing**

The *analyzing strategy* calls for a midrange approach between prospecting and defending. Analyzing involves moving into new market areas at a cautious, deliberate pace and/or offering a core product group and seeking new opportunities. Analyzing resembles the combination grand strategy.

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| **RQ 5–12. What are the adaptive strategies?**  The adaptive strategies are prospecting, defending, and analyzing. |

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| **RQ 5–13. What is the relationship between grand strategies and adaptive strategies?**  The adaptive strategies (prospecting, defending, and analyzing) correspond to the corporate grand strategies of growth, stability, and combination, respectively. |

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| WORK APPLICATION Example student answer  **5–9. Identify the adaptive strategy used by an organization you work for or have worked for. Be sure to describe how it used the strategy.**  I used to work for Friendly’s Ice Cream, which was sold to Hershey. When Hershey took over, it used a prospecting strategy. Hershey wanted to aggressively expand Friendly’s across the United States. However, it sold Friendly’s long before it achieved its objective. |

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| APPLYING THE CONCEPT Answers  AC **5–**3—Adaptive Strategies  c 11. Analyzing. McDonald’s is following the lead of Burger King, who was probably the prospector.  b 12. Defending. P&G tried to keep its customers.  a 13. Prospecting. Going to new markets is aggressive growth.  a 14. Prospecting. As pioneers, Dell would be prospecting.  b 15. Defending. Domino’s Pizza tried to keep its customers. |

1. **Competitive Strategies**

There are three effective business *competitive strategies*: differentiation, cost leadership, and focus.

1. **Differentiation**

With a differentiation strategy, a company stresses its advantage over its competitors. Differentiation strategy somewhat resembles the prospecting strategy.

1. **Cost Leadership**

With a cost leadership strategy, the company stresses lower prices to attract customers. To keep its prices down, it must have tight cost control and an efficient systems process. Cost leadership somewhat resembles the defending strategy.

1. **Focus**

With a focus strategy, the company targets a specific regional market, product line, or buyer group. Within a particular target segment, or market niche, the firm may use a differentiation or cost leadership strategy.

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| **RQ 5–14. What are the competitive strategies?**  The competitive strategies are differentiation, cost leadership, and focus**.** |

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| **CSQ 5–11. Why would a business use a focus strategy rather than try to appeal to all customers?**  Trying to be all things to all people often creates customer value for none of them. For example, how many restaurants do you know of that serve Italian, French, Chinese, and Mexican foods? By focusing on one type of food, the restaurant will usually create greater customer value. |

1. OPERATIONAL PLANNING
2. **Functional Strategies**

The functional departments of a company must develop internal strategies for achieving the mission and objectives. **Functional strategies** are strategies developed and implemented by managers in the marketing, operations, human resources, finance, and other departments of a company. Situation analysis also takes place at the functional levels to determine strengths and weaknesses.

1. **Marketing Strategy**

The marketing department has the primary responsibility for knowing what the customer wants, or how to add customer value, and for defining the target market. Marketing focuses on the four Ps: product, promotion, place, and price. In other words, the marketing department makes decisions about which products to provide, how they will be packaged and advertised, where they will be sold and how they will get there, and how much they will be sold for.

1. **Operations Strategy**

The operations (or production) department is responsible for systems processes that convert inputs into outputs. Operations focuses on quality and efficiency in producing the products that marketing determines will provide customer value. (You will learn more about operations in Chapter 14.)

1. **Human Resources Strategy**

The human resources department is responsible for working with all the other functional departments in the areas of recruiting, selecting, training, evaluating, and compensating employees. (You will learn more about human resources in Chapter 7.)

1. **Finance Strategy**

The finance department has at least two functions: (1) financing the business activities by raising money through the sale of stock (equity) or bonds or through loans (debt), deciding on the debt-to-equity ratio, and paying off the debt and dividends (if any) to shareholders; and (2) keeping records of transactions, developing budgets, and reporting financial results (income statement and balance sheet). A third function of the finance department in many organizations is making the optimum use of cash reserves—in particular, investing as a means of making money. (You will learn more about finance in Chapter 13.)

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| **RQ 5–15. What are the common functional strategy areas?**  The common functional strategy areas are marketing, operations, human resources, and finance. |

1. **Other Functional Strategies**

Based on the type of business, any number of other departments will also need to develop a strategy. One area that varies in importance is research and development (R&D). Businesses that sell a product usually allocate greater resources (budgets) for R&D than do businesses that provide a service.

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| **CSQ 5–12. Give examples of functional departments other than those mentioned in the text.**  Answers will vary. |

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| WORK APPLICATION Example student answer  **5–10. Identify one functional area of an organization you work for or have worked for. What was its operational strategy?**  I work for the Springfield College Police Department. The strategy is to have student patrol and regular security guards visible to discourage any crime. The department has objectives, but it doesn’t tell the student patrol about them. It just tells us what to do and where to go. |

1. **Standing Plans Versus Single-Use and Contingency Plans**

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| LO 5–8. State the difference between standing plans and single-use plans.  The major difference is the repetitiveness of the situation the plan is intended to address. Standing plans are policies, procedures, and rules developed for handling repetitive situations. Single-use plans are programs and budgets developed for handling nonrepetitive situations. |

Depending on how repetitive they are, plans may be either *standing plans*, which are made to be used over and over again (repeated), or *single-use plans*, which are made to be used only once (nonrepetitive). Exhibit 5–14 illustrates the different types of standing and single-use plans. Most strategic plans are single use, whereas operational plans are more often standing plans.

1. **Standing Plans**

**Standing plans** are policies, procedures, and rules developed for handling repetitive situations. Their purpose is to guide employees’ actions in decision making.

**Policies** provide general guidelines to be followed when making decisions.

A **procedure** is a sequence of actions to be followed in order to achieve an objective. Procedures may also be called *standard operating procedures (SOPs)* or *methods*.Procedures are more specific than policies; they entail a series of decisions rather than a single decision and many involve more than one functional area. Procedures ensure that all recurring, routine situations are handled in a consistent, predetermined manner.

**Rules** state exactly what should or should not be done.

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| WORK APPLICATION Example student answer  **5–11. Give an example of a policy, a procedure, and a rule from an organization you work for or have worked for.**  I work at the New England Health Club.  *Policy*—“The club member is most important.”  *Procedure*—“Fill out membership forms.”  *Rule*—“No smoking allowed anywhere in the club.” |

1. **Single-Use Plans**

**Single-use plans** are programs and budgets developed for handling nonrepetitive situations. Single-use plans, unlike standing plans, are developed for a specific purpose and probably will not be used again in the same form. However, a single-use plan may be used as a model for a future version of the program or budget.

A *program* describes a set of activities and is designed to accomplish an objective over a specified time period. Programs are not meant to exist over the life of the organization. A program may have its own policies, procedures, budget, and so forth.

When developing a program, managers typically (1) set project objectives, (2) break the project down into a sequence of steps, (3) assign responsibility for each step, (4) establish starting and ending times for each step, and (5) determine the resources needed for each step.

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| WORK APPLICATION Example student answer  **5–12. Give an example of a program you were involved in at work.**  At the New England Health Club, I developed individual exercise programs for members based on their pre-exercise tests and long-term fitness goals. |

A *budget* is the funds allocated to operate a unit for a fixed period of time. Developing a budget requires planning skills rather than accounting and mathematical skills. When developed, a budget is a planning tool, and when implemented, it is a control tool.

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| **RQ 5–16. What is the difference between standing plans and single-use plans?**  Standing plans are policies, procedures, and rules developed for handling repetitive situations. Single-use plans are programs and budgets developed for handling nonrepetitive situations. Single-use plans, unlike standing plans, are developed for a specific purpose and probably will not be used again in the same form. |

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| APPLYING THE CONCEPT Answers  AC 5–4—Identifying Plans  e 16. Budget. The statement requests a budget.  c 17. Rule. It tells you specifically what to do.  b 18. Procedure. It tells you how to proceed: (1) fill out the form, (2) have it approved by the manager, and (3) submit it to the personnel office one month in advance of the effective date.  a 19. Policy. This is a general statement. No information is given on how to do a quality job.  d 20. Program. This was a set of activities intended to accomplish an objective over a specified period. |

1. **Contingency Plans**

**Contingency plans** are alternative plans to be implemented if uncontrollable events occur.

To develop a contingency plan, you should answer three questions:

1. What might go wrong?
2. How can I prevent it from happening?
3. If it does occur, what can I do to minimize its effect?

The answer to question 3 is your contingency plan. With good contingency plans, you can prevent problems and solve them quickly and effectively.

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| WORK APPLICATION Example student answer  **5–13. Describe a situation in which a contingency plan is appropriate. Explain the plan.**  If you were planning a company picnic, you would need to set a contingency date, or place indoors, in case of bad weather. |

1. **Time Management**

*Time management* uses techniques that enable people to get more done in less time with better results.

1. **Analyzing Time Use With a Time Log**

A *time log* is a daily diary that tracks your activities and enables you to determine how you spend (and waste) your time each day. You should keep track of your time every day over a period of one or two typical weeks.

After keeping time logs for five to ten working days, analyze the information.

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| WORK APPLICATION Example student answer  **5–14. Review your time log to identify your three biggest time wasters. How can you cut down or eliminate these time wasters?**  1. *Waiting for the machine to be set up.* It takes three of us about an hour before the machine is ready to work. All we have to do is work faster; the job could be done in half the time without rushing. But, if we did, other employees would pressure us to slow down.  2. *Waiting for about 20–30 minutes, and sometimes an hour, for the corrugator to be repaired.* It breaks down about an average of twice per eight-hour shift. They should get new machines or overhaul them so they don’t break down so often.  3. *Breaks and lunch being extended by 10–15 minutes.* This is a regular occurrence. The manager should keep track of times and enforce them. |
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1. **A Time Management System and Techniques**

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| LO 5–2. List and briefly describe the three steps in the time management system.  The steps in the time management system are: (1) Plan each week by determining the objectives to be achieved that week and activities necessary to achieve the objectives. (2) Schedule each week by selecting days and times to perform the activities necessary to achieve the week’s objectives. (3) Schedule each day by selecting the times to perform the activities to achieve the week’s objectives. Going from a weekly to a daily schedule allows for adjustment for unplanned events. |

There are four key components of the time management system:

* *Priorities.* Setting priorities involves determining which of your major responsibilities is most important.
* *Objectives.* You should set weekly objectives.
* *Plans.* You should develop operational plans to meet your objectives.
* *Schedules.* You should schedule each week and workday.

The *time management system* involves planning each week, scheduling each week, and scheduling each day.

**Step 1. Plan each week.** On the last day of each week, plan the upcoming week. (You can develop your plan on the first day of the week if you prefer.) Using your previous week’s plan and departmental objectives, fill in a plan for the upcoming week on a weekly planner sheet. Start by listing the objectives you want to accomplish during the week. These should be nonroutine things, not routine tasks you perform weekly or daily.

After setting a few major objectives, list major activities necessary to accomplish each objective. Indicate the priority level of each activity: high, medium, or low. All high-priority activities must be done that week; others can be pushed into the next week if necessary.

The last two columns to fill in are “Time Needed” and “Day to Schedule.” Total the time it will take to achieve your objectives for the week. Is the total time realistic, considering you still need time for routine tasks and unexpected events? With experience, you will learn whether you tend to be too optimistic about how much you can plan for and accomplish in one week.

**Step 2. Schedule each week.** Scheduling your work gets you organized to achieve your objectives for the week. You may make a schedule for the week while you plan it or afterward, whichever you prefer. Planning and scheduling the week should take about 30 minutes. Start scheduling by filling in already committed time slots, such as regular weekly meetings. Then schedule controllable events like performance appraisals. Most managers should leave about 50 percent of the week unscheduled to accommodate unexpected events. Your job may require more or less unscheduled time.

**Step 3. Schedule each day.** At the end of each day, you should schedule the following day. (Or you can schedule your day first thing each morning.) This should take 15 minutes or less. Base the day’s schedule on your plan and schedule for the week. Basing your daily schedule on the weekly schedule you’ve already created allows for adjustment for unplanned events. Begin by scheduling the activities over which you have no control, such as meetings you must attend. Leave your daily schedule flexible. Here are some scheduling tips not in the textbook:

* Don’t be too optimistic; schedule enough time to do each task.
* Once you have prioritized and scheduled tasks, focus on only one at time.
* Schedule high-priority items during your “prime time,” when you perform at your best.
* Try to set aside a regular time slot for activities or events that you cannot anticipate.
* Do not perform an unscheduled task before determining its priority.

1. **To-Do List**

The time management system works well for managers who have to plan for a variety of nonrecurring tasks. For managers and employees who deal primarily with routine tasks, the time management system may not be necessary. For people in routine situations, a to-do list that prioritizes items may work quite well. We will discuss to-do lists in Chapter 7.

1. **Time Management Techniques**

Self-Assessment 5–2 contains 49 time management techniques arranged by management function.

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| WORK APPLICATION Example student answer  **5–15. From the time management techniques listed in the Self-Assessment, choose the three most important ones you should be using. Explain how you will implement each technique.**  1. *Get an early start on top-priority items.* I need to stop procrastinating.  2. *Make decisions.* I need to stop overanalyzing things and make decisions sooner.  3. *Do related activities in the same time slot.* I plan to set up a calendar stating when I need to work on certain projects. |

1. **MULTITASKING**

*Multitasking*is the practice or capability of handling more than one task at a time.

There has been a fair amount of research done on multitasking in recent years. It has been shown that most humans are not good at multitasking. One of the problems with high levels of multitasking is that it undermines our attention spans by decreasing our ability to concentrate for any length of time. When people try to perform two or more related tasks either at the same time or alternating rapidly between them, errors go way up, and it takes far longer—often double the time or more—to get the jobs done than if they were done sequentially.

So how can you multitask effectively? The first step is to recognize that the entire process is, essentially, a form of time management, and that many of the time management techniques listed in the Self-Assessment can be applied to multitasking. Effective multitasking can also be accomplished by following these tips:

* Know when it is appropriate.
* Limit distractions and interruptions.

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| WORK APPLICATION Example student answer  **5–16. How would you assess your use of multitasking in your personal life? In your professional life? How can you improve?**  In my personal life, I multitask on a daily basis. When I get home from work, I usually watch TV or talk on the phone to one of my friends while I cook dinner. In my professional life, I have to multitask frequently. Many times I have to work on two separate projects simultaneously when there is a deadline or talk on the phone with a client while I work. |

1. IMPLEMENTING AND CONTROLLING STRATEGIES

The fifth and final step of the strategic planning process involves implementing and controlling strategies to ensure that the mission and objectives, at all three levels, are achieved. Top and middle managers are more involved with the planning, whereas the lower-level functional managers and employees implement the strategies on a day-to-day basis. Successful implementation of strategies requires effective and efficient support systems throughout the organization. Throughout the book, you will learn how to organize and lead so as to implement strategies.

As the strategies are being implemented, they must also be controlled. *Controlling* is the process of establishing and implementing mechanisms to ensure that objectives are achieved. An important part of controlling is measuring progress toward the achievement of the objective and taking corrective action when needed. Another important part of controlling is staying within the budget when appropriate or changing it when necessary to meet changes in the environment. You will develop your controlling skills in Chapters 14 and 15.

LEARNING OUTCOMES AND ANSWERS

The chapter summary is organized to answer the learning objectives for Chapter 5. They are also found at the end of the chapter and can be used as short-answer questions on exams.

*These learning outcomes are included in the test bank in the concept section.*

**5–1. Describe how strategic planning differs from operational planning.**

The primary differences concern the time frame and the level of management involved. Strategic planning involves developing a mission and long-range objectives and plans; operational planning involves short-range objectives and plans. Upper-level managers develop strategic plans, and middle- and lower-level managers develop operational plans.

**5–2. Explain the reason for conducting an industry and competitive situation analysis.**

The industry and competitive situation analysis is used to determine the attractiveness of an industry. It is primarily used at the corporate level of strategy to make decisions regarding which lines of business to enter and exit and how to allocate resources among lines of business.

**5–3. Explain the reason for conducting a company situation analysis.**

The company situation analysis is used at the business level to determine the issues and problems that need to be addressed through the strategic planning process.

**5–4. List the parts of an effective written objective.**

The parts of the objective are (1) *to* + (2) action verb + (3) specific and measurable result to be achieved + (4) target date.

**5–5. Describe the four grand strategies.**

With a growth strategy, the firm aggressively pursues increasing its size. With a stability strategy, the firm maintains the same size or grows slowly. With a turnaround strategy, the firm attempts a comeback; with retrenchment, it decreases in size. With a combination strategy, two or more of the three strategies are used for different lines of business.

**5–6. Describe the three growth strategies.**

With a concentration strategy, the firm grows aggressively in its existing line(s) of business. With integration, the firm grows by entering forward or backward lines of business. With diversification, the firm grows by adding related or unrelated products.

**5–7. Discuss the three adaptive strategies.**

With the prospecting strategy, the firm aggressively offers new products or services and/or enters new markets. With the defending strategy, the firm stays with its product or line and markets. With the analyzing strategy, the firm moves into new markets cautiously and/or offers a core product group and seeks new opportunities.

**5–8. State the difference between standing plans and single-use plans.**

The major difference is the repetitiveness of the situation the plan is intended to address. Standing plans are policies, procedures, and rules developed for handling repetitive situations. Single-use plans are programs and budgets developed for handling nonrepetitive situations.

WORK APPLICATION SAMPLE ANSWERS

(Most of the answers are actual student answers or based on student answers. You may give these answers as part of your lecture before, after, or in place of getting student answers.)

*These work applications are included in the test bank in the application section.*

**5–1. Give an example of a strategic objective and an operational objective from an organization you work for or have worked for.**

I worked for the Shawmut Bank in Boston, and one of its strategic objectives was to become the leading bank in Boston. In the operations department that I worked in, the operational objective was to process all the checks each night from all of the branches.

**5–2. Does a business you work for or have worked for have one or multiple lines of business? List the line(s).**

I worked as an intern for Honda in Connecticut, and I didn’t realize it had all the various lines of businesses that they offer—cars, motorcycles, garden tillers, lawn mowers, snow blowers, snowmobiles, power generators, and outboard motors.

**5–3. Conduct a simple five-force competitive analysis for a company you work for or have worked for. Use Exhibit 5–4 as an example.**

I work part time for Springfield College.

1. *Rivalry among competing sellers in the industry.* The local rivalry includes Springfield College, American International College, Western New England College, and the University of Massachusetts, plus thousands of other colleges across the country.
2. *Threat of substitute products and services.* Substitutes are not a problem since most people want a degree.
3. *Potential new entrants.* New entrants are not very likely because most colleges are nonprofit and there is little incentive to start one.
4. *Power of suppliers.* I’m not too familiar with suppliers, but I don’t think they have much power.
5. *Power of buyers.* The student buyers number around 5,000, and they are not organized and have no direct power to set tuition prices.

**5–4. List a couple of the major strengths and weaknesses of an organization you work for or have worked for.**

Springfield College’s major strength is its small classes, which enable faculty to take a personal interest in students. Major weaknesses include the high cost of tuition versus state colleges and the deterioration of the area around the college.

**5–5. State one or more goals of an organization you work for or have worked for.**

At Domino’s Pizza, our goal is to deliver the pizza within 30 minutes.

**5–6. Using the model for writing objectives, write one or more objectives for an organization you work for or have worked for, making sure they meet the “must” criteria.**

To increase car sales by 5 percent by 2012.

**5–7. State the grand strategy for an organization you work for or have worked for.**

I worked part time for Sims Drug Store, an independent pharmacy. The grand strategy was a stability strategy. Sims was trying to keep customers from leaving for national chains in the area such as CVS and Walgreens. One advantage Sims had over its national competitors was free delivery of prescriptions.

**5–8. Identify any growth strategies used by an organization you work for or have worked for. Be sure to identify the type of growth strategy and note if any mergers, acquisitions, joint ventures, or strategic alliances were used.**

In high school, I worked for an old, downtown movie theater that showed movies for $2 after the local mall ran them first run. There were two such movie theaters downtown. The two owners used a concentration strategy and merged and closed the theater I worked at to cut expenses. There weren’t enough people to fill one theater anyway. The second one closed down after around four years.

**5–9. Identify the adaptive strategy used by an organization you work for or have worked for. Be sure to describe how it used the strategy.**

I used to work for Friendly’s Ice Cream, which was sold to Hershey. When Hershey took over, it used a prospecting strategy. Hershey wanted to aggressively expand Friendly’s across the United States. However, it sold Friendly’s long before it achieved its objective.

**5–10. Identify one functional area of an organization you work for or have worked for. What was its operational strategy?**

I work for the Springfield College Police Department. The strategy is to have student patrol and regular security guards visible to discourage any crime. The department has objectives, but it doesn’t tell the student patrol about them. It just tells us what to do and where to go.

**5–11. Give an example of a policy, a procedure, and a rule from an organization you work for or have worked for.**

I work at the New England Health Club.

*Policy*—“The club member is most important.”

*Procedure*—“Fill out membership forms.”

*Rule*—“No smoking allowed anywhere in the club.”

**5–12. Give an example of a program you were involved in at work.**

At the New England Health Club, I developed individual exercise programs for members based on their pre-exercise tests and long-term fitness goals.

**5–13. Describe a situation in which a contingency plan is appropriate. Explain the plan.**

If you were planning a company picnic, you would need to set a contingency date, or place indoors, in case of bad weather.

**5–14. Review your time log to identify your three biggest time wasters. How can you cut down or eliminate these time wasters?**

1. *Waiting for the machine to be set up.* It takes three of us about an hour before the machine is ready to work. All we have to do is work faster; the job could be done in half the time without rushing. But, if we did, other employees would pressure us to slow down.
2. *Waiting for about 20–30 minutes, and sometimes an hour, for the corrugator to be repaired.* It breaks down about an average of twice per eight-hour shift. They should get new machines or overhaul them so they don’t break down so often.
3. *Breaks and lunch being extended by 10–15 minutes.* This is a regular occurrence. The manager should keep track of times and enforce them.

**5–15. From the time management techniques listed in the Self-Assessment, choose the three most important ones you should be using. Explain how you will implement each technique.**

1. *Get an early start on top-priority items.* I need to stop procrastinating.
2. *Make decisions.* I need to stop overanalyzing things and make decisions sooner.
3. *Do related activities in the same time slot.* I plan to set up a calendar stating when I need to work on certain projects.

**5–16. How would you assess your use of multitasking in your personal life? In your professional life? How can you improve?**

In my personal life, I multitask on a daily basis. When I get home from work, I usually watch TV or talk on the phone to one of my friends while I cook dinner. In my professional life, I have to multitask frequently. Many times I have to work on two separate projects simultaneously when there is a deadline or talk on the phone with a client while I work.

REVIEW QUESTION ANSWERS

*These review questions are included in the test bank in the concept section.*

**5–1. What are the five planning dimensions?**

The five planning dimensions are: (1) management level, (2) type of plan, (3) scope, (4) time, and (5) repetitiveness.

**5–2. What are the two types of plans?**

The two types of plans are strategic plans and operational plans.

**5–3. Is there a difference between a plan and a strategy?**

A strategy is a plan for pursuing a mission and achieving objectives.

**5–4. Which planning levels and their strategies are part of strategic planning?**

Corporate- and business-level planning and their strategies are part of strategic planning.

**5–5. What are the steps in the strategic planning process?**

The steps in the strategic planning process are (1) developing the mission, (2) analyzing the environment, (3) setting objectives, (4) developing strategies, and (5) implementing and controlling strategies.

**5–6. What is the relationship between the mission statement and developing strategies?**

Developing the mission is the first step in the strategic planning process. The mission is the foundation of the other four steps in the strategic planning process.

**5–7. Why is a company situation analysis part of the strategic planning process?**

A company situation analysis is used at the business level to determine the strategic issues and problems that need to be addressed through the next three steps of the strategic planning process.

**5–8. What is the “writing effective objectives” model?**

The “writing effective objectives” model includes (1) the word *to* followed by (2) an action verb; (3) a statement of the single, specific, and measurable result to be achieved; and (4) a target date.

**5–9. What criteria should an objective meet?**

An effective objective conforms to four “must” criteria: It expresses a *single result* that is *specific* and *measurable*, and it sets a *date* for achieving that result. In addition to the four “must” criteria, objectives may conform to three “want” criteria: difficult but achievable (realistic), participatively set, and acceptance and commitment.

**5–10. What are the grand strategies?**

The grand strategies are growth, stability, and turnaround and retrenchment.

**5–11. What is the difference between a merger and an acquisition?**

A merger occurs when two companies form one corporation, whereas an acquisition occurs when one business buys all or part of another business.

**5–12. What are the adaptive strategies?**

The adaptive strategies are prospecting, defending, and analyzing.

**5–13. What is the relationship between grand strategies and adaptive strategies?**

The adaptive strategies (prospecting, defending, and analyzing) correspond to the corporate grand strategies of growth, stability, and combination, respectively.

**5–14. What are the competitive strategies?**

The competitive strategies are differentiation, cost leadership, and focus.

**5–15. What are the common functional strategy areas?**

The common functional strategy areas are marketing, operations, human resources, and finance.

**5–16. What is the difference between standing plans and single-use plans?**

Standing plans are policies, procedures, and rules developed for handling repetitive situations. Single-use plans are programs and budgets developed for handling nonrepetitive situations. Single-use plans, unlike standing plans, are developed for a specific purpose and probably will not be used again in the same form.

**5–17. Explain the use of a time log.**

A time log is a daily diary used to analyze how time is spent and wasted. Time log analysis can reveal ways to improve time use.

**5–18. List and briefly describe the three steps in the time management system.**

The steps in the time management system are: (1) Plan each week by determining the objectives to be achieved that week and activities necessary to achieve the objectives. (2) Schedule each week by selecting days and times to perform the activities necessary to achieve the week’s objectives. (3) Schedule each day by selecting the times to perform the activities to achieve the week’s objectives. Going from a weekly to a daily schedule allows for adjustment for unplanned events.

**5–19. Explain what multitasking is and how to practice it effectively.**

Multitasking is the practice or capability of handling more than one task at a time. Effective use of multitasking can be accomplished by applying various time management techniques such as organizing in advance, knowing when multitasking is appropriate, delegating, and limiting distractions.

COMMUNICATION SKILLS ANSWERS

Applications may also be used as class discussion questions or written assignments to develop communication skills.

*These communication skills questions are included in the test bank in the skills section.*

**5–1. Why are strategic and operational planning important?**

Answers will vary, but students should realize the importance of planning. Planning includes four major benefits: enhanced product and venture development, speedier decision making, better management of resources, and clearer identification of the action steps needed to reach important goals.

**5–2. Should all businesses have corporate, business, and functional strategies?**

No. A business with only one line of business does not need a corporate strategy.

**5–3. Should a mission statement be customer focused?**

Yes. The entire business, including the mission statement, should focus on customer value.

**5–4. Should all businesses formally analyze the environment?**

Answers will vary, but students should realize the importance of analyzing the environment and how it determines how congruent the business strategy is with the capabilities of the firm and its external environment.

**5–5. Should all businesses have a competitive advantage?**

Answers will vary.

**5–6. Is it ethical to copy other companies’ ideas through benchmarking?**

Yes. It’s the American way, as long as companies don’t illegally break trademarks, patents, copyrights, etc.

**5–7. Are both goals and objectives necessary for a business?**

Yes. Businesses should start with general, broad targets and then translate these into measurable terms.

**5–8. Is it important to write objectives?**

Yes. Writing objectives helps to make sure they meet the criteria of being effective, and it improves commitment to their attainment. Research studies have revealed that a majority of successful people have written objectives.

**5–9. As a manager, would you use management by objectives (MBO)?**

Answers will vary.

**5–10. Which growth strategy would you say is the most successful?**

Answers will vary, but students should realize that there is no one best approach to management and that whatever strategy is used depends on the situation.

**5–11. Why would a business use a focus strategy rather than try to appeal to all customers?**

Trying to be all things to all people often creates customer value for none of them. For example, how many restaurants do you know of that serve Italian, French, Chinese, and Mexican foods? By focusing on one type of food, the restaurant will usually create greater customer value.

**5–12. Give examples of functional departments other than those mentioned in the text.**

Answers will vary.

APPLYING THE CONCEPT ANSWERS

*There are similar questions in the test bank in the application section.*

AC 5–1—Objectives

c 1. Measurable. How will you know if you are perceived as the best?

d 2. Target date. It is more effective to set a specific date than to give a time span.

d 3. Target date. By when will the objective be met?

a 4. Single result. The objective should contain only one product.

b 5. Specific. By how much?

AC 5–2—Growth Strategies

b 6. Related diversification. Sporting goods can consist of clothing and equipment, which are different and separate but linked together.

e 7. Backward integration. This is going from retail back to manufacturing.

d 8. Unrelated diversification. WD-40 and Duracell Battery are very different lines of business.

a 9. Concentration. This is growth within the same line of business.

c 10. Forward integration. This is going from manufacturing to retailing.

AC5–3—Adaptive Strategies

c 11. Analyzing. McDonald’s is following the lead of Burger King, who was probably the prospector.

b 12. Defending. P&G tried to keep its customers.

a 13. Prospecting. Going to new markets is aggressive growth.

a 14. Prospecting. As pioneers, Dell would be prospecting.

b 15. Defending. Domino’s Pizza tried to keep its customers.

AC 5–4—Identifying Plans

e 16. Budget. The statement requests a budget.

c 17. Rule. It tells you specifically what to do.

b 18. Procedure. It tells you how to proceed: (1) fill out the form, (2) have it approved by the manager, and (3) submit it to the personnel office one month in advance of the effective date.

a 19. Policy. This is a general statement. No information is given on how to do a quality job.

d 20. Program. This was a set of activities intended to accomplish an objective over a specified period.

CASE ANSWERS

BlackBerry

**5–1.** Is Blackberry’s decision to lay off 4,500 employees is an example of strategic or operational planning? This is a top-level example of strategic planning.

**5–2.** How could BlackBerry have benefited from conducting industry and company (SWOT) situational analysis? Do a better job with environmental scanning. They should have evaluated the changes happening in the technology world and been proactive enough to understand the cell phone market was going to change rapidly.

**5–3.** Which grand strategy was BlackBerry considering to use in the case? Trying to find a turnaround strategy. They also used retrenchment when they laid off 4,500 workers.

**5–4.** If BlackBerry considered opening up its retail stores, would that be considered a forward or backward integration strategy? Forward integration strategy into the level of where consumers buy their own smartphones.

**5–5.** Has BlackBerry’s primary adaptive strategy of the past few years been prospecting, defending, or analyzing? Defending against Apple and the Android phones.

**5–6.** Has BlackBerry’s primary competitive strategy against its competitors been product differentiation, cost leadership, or focus? Unfortunately, Blackberry has lost much of its competitive strategy. Traditionally, it used a differentiation strategy against competitors. But, as that was lost, it tried to focus on keeping its businesspeople satisfied. At this time, it might need to make a low-cost phone to survive. This lack of a competitive strategy is called being “stuck in the middle” by Michael Porter from Harvard, who is credited with developing this strategic model.

**5–7.** Is the functional operational strategy of finding more customers the responsibility of marketing, human resources, operations, or finance? Marketing has the primary responsibility to find more customers.

**5–8.** Explain Blackberry’s strategic and operational plans.

**5–9.** Does Blackberry have a core competency? If so, what is it? At this time, it would be hard to say that Blackberry still has its core competency of building the best smartphone for the business market. However, the new owners of Blackberry have spent nearly $5 billion hoping this competency still exists.

**Cumulative Case Questions**

**5–10.** Which management functions, skills, and management levels are most important in implementing the growth strategy for BlackBerry? (Chapter 1) Since Blackberry is struggling, it needs to do a better job of controlling the company.

**5–11.** Which environmental factors were most instrumental in BlackBerry’s competition with Apple, Samsung, and Google during the late 2000s? (Chapter 2) The rapid changes in technology impacted Blackberry and its competitors more than any other external factor.

**5–12.** Use the Internet to find an article that discusses the forecast for smartphone usage across the globe. (Chapter 3)

Answers will vary. But, at this time, BlackBerry is said to be even worse off financially then it has been reported.

SKILL BUILDER 5–1 IDEAS AND ANSWERS

**Writing Objectives**

*Total Time* (5–20 minutes)

The real skill development comes from the preparation for the exercise. If you have limited time, choose option 1. I use option 2, which takes around 4 minutes to go over part 1, and then I give students around 6 minutes for sharing their objectives for part 2. I judge how they are enjoying sharing objectives and give them more time if needed.

Doing Skill Builder 5–1 in Class

**Objective**

To develop your skill at writing objectives.

**Preparation**

Students should have corrected and written objectives in the preparation section before class.

**Experience**

Students will get feedback on how well they corrected the four objectives and will share their written objectives with others.

*Procedure* (8–20 minutes)

*Option 1.* Review the suggested corrections for the four objectives in part 1 of the preparation, then call on students to share their written objectives (part 2) with the class.

*Option 2.* Review the suggested corrections for the four objectives in part 1 of the preparation, then break the class into groups of 4 to 6 to share their written objectives (part 2) with the class.

*Option 3.* Break the class into groups of 4 to 6 and go over the corrections for the four objectives in part 1. Have students share their suggested answers. Then have students share their written objectives (part 2) until all groups are finished. Have students give each other feedback for improving their written objectives.

**Conclusion**

Lead a class discussion and/or make concluding remarks.

**Sharing**

Volunteers give their answers to the Apply It section.

Testing on Skill Builder 5–1

I tell students to expect to have to list the four steps of the writing effective objectives model and to write a job-related objective of their choice that meets the criteria for setting objectives.

Test Question and Answer (Also found in Test Bank)

Write the four steps of the writing effective objectives model and, below it, write a job-related objective that meets the criteria for setting objectives.

Solution

(1) *To* + (2) action verb + (3) specific measurable result + (4) target date

Written objectives will vary.

Grading

I assign half credit for the model itself and half credit for the objective.

SKILL BUILDER 5–2 IDEAS AND ANSWERS

**The Strategic Planning Process at Your College**

*Total Time* (0–30 minutes)

The real skill development comes from the preparation for the exercise. You can have students do the preparation only, and it can be passed in. I use option 1, which usually takes around 10 minutes.

Doing Skill Builder 5–2 in Class

**Objective**

To develop your planning skills.

**Preparation**

Students should have completed the preparation before class.

**Experience**

Students will share their strategic plan.

*Procedure* (8–20 minutes)

*Option 1.* Lead a class discussion by calling on students to give their answers for each step of the preparation section.

*Option 2.* Break the class into groups of 3 to 5 and have students share their answers for each step of the preparation section.

**Conclusion**

Lead a class discussion and/or make concluding remarks.

**Sharing**

Volunteers give their answers to the Apply It section.

Testing on Skill Builder 5–2

The preparations for this exercise can also be typed and passed in as an individual or group project and graded. You can also have students write one or more of the steps from the preparation section during an exam.

Test Questions and Answers (Also found in the Test Bank)

**Step 1. Developing the Mission**

1. What is the mission statement of your university/college or school/department?

Solution

Answers will vary.

1. Is the mission statement easy to remember?

Solution

Answers will vary.

1. How would you improve the mission statement?

Solution

Answers will vary.

**Step 2. Analyzing the Environment**

1. Conduct a five-force competitive analysis, like that in Exhibit 5–4.

Solution

Answers will vary.

1. Complete a SWOT analysis.
2. SWOT analysis.

Solution

Answers will vary.

1. Determine the competitive advantage (if any) of your university/college or school/department.

Solution

Answers will vary.

**Step 3. Setting Objectives**

What are some goals and objectives of your university/college or school department?

Solution

Answers will vary.

**Step 4. Developing Strategies**

1. Identify your university/college or school/department’s:
2. Grand strategy

Solution

Answers will vary.

1. Adaptive strategy

Solution

Answers will vary.

1. Competitive strategy

Solution

Answers will vary.

1. If it has a growth strategy, what is it?

Solution

Answers will vary.

1. Where would you place your program/major on the BCG growth-share matrix?

Solution

Answers will vary.

1. What stage of the product life cycle would a college education be in?

Solution

Answers will vary.

**Step 5. Implementing and Controlling Strategies**

How would you rate your university/college or school/department’s strategic planning? How could it be improved?

Solution

Answers will vary.

SKILL BUILDER 5–3 IDEAS

**Time Management System**

*Total Time* (0–20 minutes)

You could choose to spend no time on this exercise by simply assigning it without going over it in class or by having students pass in their work and grading it.

Doing Skill Builder 5–3 in Class

**Objective**

To develop skills in using a time management system.

**Preparation**

Students need their completed time management plans and schedules.

**Experience**

Students will share and discuss their plans and schedules for the week and their daily schedules.

*Procedure* (10–15 minutes)

Break the class into groups of 4 to 6. Have students share and discuss their plans and schedules. Then have students pass their plans and schedules around so that they can make comparisons. The comparisons serve as a guide to improving future plans and schedules.

**Conclusion**

Lead a class discussion and/or make concluding remarks.

**Sharing**

Volunteers give their answers to the Apply It section.

Testing on Skill Builder 5–3—Written Assignment instead

I don’t test students, but I do have them pass in a typed written assignment:

1. They complete a time log for one week. I give them a copy of one like in the textbook Exhibit 5–11.
2. They write out their time consumers/wasters and how they will improve their time management (including Self-Assessment techniques)
3. The plan for the next week. I give them a copy of one like in the textbook Exhibit 5–11.