CHAPTER 7

Management Strategies

7.1 The Building Blocks of Strategy
7.2 The Process of Strategic Management
7.3 Strategic Planning Tools
GOALS

- Describe three levels of strategy.
- Discuss the advantages and risks of strategic management.
THE ROOTS OF STRATEGY

- Strategy refers to the basic steps a manager must take to reach objectives.

- **Strategic management** is a process for identifying and furthering an organization’s mission.
THREE LEVELS OF STRATEGY

- Corporate strategies – address the broad needs of the organization
  - These strategies are long-range and formed at the highest level. They control the overall direction of the organization and are tied to the mission statement.

- Business strategies

- Functional strategies
CORPORATE STRATEGIES

- Growth strategies
  - Help the organization decide the amount and direction of growth.

- Stability strategies
  - Used when the organization is satisfied with its performance.

- Defensive strategies
  - Used when the organization feels threatened by risk (usually from competitors).

- Combination
  - Ex: building a new stadium could use growth strategy and defensive at the same time.
BUSINESS STRATEGIES

- Cost leadership
  - Deliver the product or service more cheaply than the competitors.

- Differentiation
  - Be unique in product or service.

- Focus
  - Concentrate on a particular market segment and surround it with a quality product or service.
FUNCTIONAL STRATEGIES

- Day-to-day operations
- Operational plan or tactical plans
ADVANTAGES OF STRATEGIC MANAGEMENT

- Use of strategic management prevents problems before they happen.
- Strategic management reinforces the strength of group decision making.
- Managers and employees tend to become empowered with decision-making opportunities.
- Strategically managed firms usually do not have glaring weaknesses.
- The entire organization tends to react more rapidly to new opportunities and environmental changes.
RISK OF STRATEGIC MANAGEMENT

- The discipline involved in implementing strategic management may not be easy to accomplish.
- Strategic managers must be cautious of making extravagant promises.
- Managers and employees may expect immediate rewards for their roles in the strategic management process.
GOALS

- Identify the steps in strategic management.
- Explain the development phase of the strategic management process.
- Describe the action and review phases of the strategic management process.
HOW DO MANAGERS PLAN?

- Formulate the mission
- Describe the market
- Set objectives
- Create and implement strategies
- Develop contingency plans
MAJOR PHASES OF STRATEGIC MANAGEMENT PROCESS

- Development
- Action
- Review
DEVELOPMENT

- Initial strategic plan is developed.
- The mission of the organization reveals its purposes for being.
- Objectives are statements that reveal the priorities of the organization.
  - Objectives must be consistent with mission.
  - Objectives often conflict with one another and managers must resolve these conflicts.
POLICIES, PROCEDURES, AND RULES

- **Policies** are guidelines established to make decisions regarding specific, recurring situations. (Ex: Title IX)

- A **procedure** is a list of steps to be followed for performing certain work. (Ex: how to run ticket sales)

- **Rules** are a prescribed direction for conduct. (Ex: No jeans in the workplace, No cell phone use, etc..)
ENVIRONMENTAL ANALYSIS

- **External environment** – everything that lies outside an organization’s control.
  - Gov’t regulations, economy, competition, technology, global affairs, society at large.

- **Internal environment** – factors that are under the control of the organization.
  - Internal assessment is often difficult for managers. There may not be a system in place. Reports may not be complete, data may not be collected, falsifications may occur, or employees simply not care.
COMPLETING THE DEVELOPMENT PHASE

- Formulate the organization’s mission
- Reviewing past and present strategies for success and failure
- Using strategic tools to assess the organization’s external and internal environments
ACTION AND REVIEW

- Action
  - Organizational structure
  - Short-range goals or objectives
  - Functional strategies

- Review
  - Review
  - Evaluation
  - Control
ULTIMATE PURPOSE OF STRATEGIC MANAGEMENT

- Continuously evaluate and respond to external and internal environmental changes
- Examine strategies for correct direction and successful results
- Organize people in the most effective and efficient manner
GOALS

- Describe the major strategic planning tools available to managers.
- Explain how sports and entertainment managers may achieve strategic fit.
THE PLANNING TOOL BAG

- Environmental scanning
- SWOT analysis
- Benchmarking
- Scenario building
ENVIRONMENTAL SCANNING

Six major external environments that might create opportunities or pose threats to future planning:

- Demographic trends – Americans are aging, there are more women than men in U.S., Hispanic-American population has passed African-American population in numbers, people living longer.
- Economic trends (economy affects ticket sales, wages)
- Political trends (many businesses are regulated)
- Competitive trends (who are you competing with ?)
- Technological trends (big screens, instant replay)
- Cultural and lifestyle trends (viewers tastes change)
SWOT ANALYSIS

S  Strengths
(PLAYER TALENT, POPULARITY WITH FANS, EMPLOYEE LOYALTY)

W  Weaknesses
(PERSONNEL PROBLEMS, FALLING REVENUE, POOR MANAGEMENT DECISIONS)

O  Opportunities
(INTERNET, GLOBAL EXPANSION, IMPROVED ECONOMY)

T  Threats
(COMPETITION, LAWSUITS, LABOR TROUBLES, DECLINING POPULARITY)
BENCHMARKING

- Have a specific problem in mind that should be compared to other organizations.
- Make sure that the correct “best practices” or benchmarks are identified.
- Do not expect too many answers from sensitive areas such as pricing, revenues, or managerial discipline.
- Keep the data received confidential to ensure that strategies can be built upon the information. (Ex: coaches copy plays)
SCENARIO BUILDING

- Involves creating a hypothetical situation that is then used to aid decision-making efforts (What if?)
- Often reveals alternatives that would have gone unnoticed under other decision-making models.
  (used by military and law enforcement)
- Ex: Spring training, “What do you do when….”
  - Tornado drills, fire drills
A GOOD FIT

The manager must strive for consistency and continuity in planning and strategic efforts.
TYPES OF STRATEGIC FIT

- Market-related strategic fit
- Operational department fit
- Management fit
BENEFITS OF STRATEGIC FIT

- Reduced conflict between marketing and sales functions
- Balance in communication and promotional efforts
- Maximum utilization of equipment
- Efficient utilization of the workforce
- Harmony with suppliers and distributors
- Regulation and sequencing of ordering and inventory cycles
- Direction for support services