

Strategic Management Course
Fourth year, English program
Week 11, Lecture11

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Chapter 9: Strategy Implementation

Introduction

Strategies can be implemented successfully only *when an organization markets its goods and services effectively and raises needed working capital.*

- *Successful strategy implementation depends on cooperation among all functional and divisional managers in an organization.*
- *This chapter examines marketing, finance/accounting, research and development (R&D), and management information systems (MIS) issues that are central to effective strategy implementation.*
- *Manager and employee involvement and participation are essential for success in marketing, finance and accounting, R&D, and MIS activities.*

Strategic Marketing Issues

Marketing variables affect the success or failure of strategy implementation efforts. Some strategic marketing issues or decisions are as follows:

- 1. How to make advertisements more interactive to be more effective.*
- 2. How to take advantage of Facebook and Twitter conversations about the company and industry*
- 3. To use exclusive dealerships or multiple channels of distribution*
- 4. To use heavy, light, or no TV advertising versus online advertising*
- 5. To limit (or not) the share of business done with a single customer*
- 6. To be a price leader or a price follower*
- 7. To offer a complete or limited warranty*
- 8. To reward salespeople based on straight salary, commission, or a combination salary and commission*

Marketing Activities

Three marketing activities especially important in strategy implementation are listed below and then discussed:

1. Engage customers in social media.
2. Segment markets effectively.
3. Develop and use product-positioning/perceptual maps.

1- Social Media Marketing

Social media marketing has become an important strategic issue.

Marketing has evolved to be more about building a two-way relationship with consumers than just informing consumers about a product or service.

- Marketers increasingly must get customers involved in the company website and solicit suggestions in terms of *product development, customer service, and ideas.*

- *The company website should enable customers to interact with the firm on the following social media networks (Facebook, Google Plus, Twitter, LinkedIn, and Instagram.*



Social Media Marketing (Cont.)

- To manage this process, larger companies have hired a social media manager(s) to be the voice of the company on social and digital media sites.
- The manager(s) responds to comments and problems, track negative or misleading statements, manage the online discussion about a firm, and gather valuable information about opinions and desires—all of which can be vital for monitoring strategy implementation progress and making appropriate changes.

Strategy Implementation

- Successful strategy implementation requires *a firm to know what people are saying about it and its products.*
- Customers are talking about and creating valuable content around every brand through blog posts, tweets, e-mails, and conversations with family and friends.
- Companies and organizations should encourage their employees to create wikis—websites that allow users to add, delete, and edit content regarding frequently asked questions and information across the firm's whole value chain of activities.



2- Market Segmentation

Market segmentation and product positioning rank as marketing's most important contributions to strategic management.

Market segmentation can be defined as the subdividing of a market into distinct subsets of customers according to needs and buying habits.

Market segmentation is important in strategy implementation

First, strategies such as market development, product development, market penetration, and diversification require increased sales through new markets and products. To implement these strategies successfully, new or improved market-segmentation approaches are required.

Second, market segmentation allows a firm to operate with limited resources because mass production, mass distribution, and mass advertising are not required.

- **Third,** market segmentation decisions directly affect marketing mix variables: product, place, promotion, and price.



Market Segmentation

- Evaluating potential market segments requires strategists to determine the characteristics and needs of consumers, to analyze consumer similarities and differences, and to develop consumer group profiles.
- Segmenting *consumer markets* is generally much simpler and easier than segmenting *industrial markets*, because industrial products have multiple applications and appeal to diverse customer groups.

3- Product Positioning and Perceptual Mapping

After markets have been segmented so that the firm can target particular customer groups, the next step is to find out what customers want and expect. This takes analysis and research. A severe mistake is to assume the firm knows what customers want and expect.

Many firms have become successful by filling the gap between what customers versus companies see as good service.

Product positioning (sometimes called perceptual mapping) entails developing schematic representations that reflect how products or services compare to those of the competitors on dimensions most important to success in the industry.

3- Product Positioning and Perceptual Mapping

Product positioning is widely used for deciding how to meet the needs and wants of particular consumer groups. The technique can be summarized in five steps:

1. Select key criteria that effectively differentiate products or services in the industry.
2. Diagram a two-dimensional product-positioning map with specified criteria on each axis.
3. Plot major competitors' products or services in the resultant four-quadrant matrix.
4. Identify areas in the positioning map where the company's products or services could be most competitive in the given target market.
5. Develop a marketing plan to position the company's products or services appropriately.



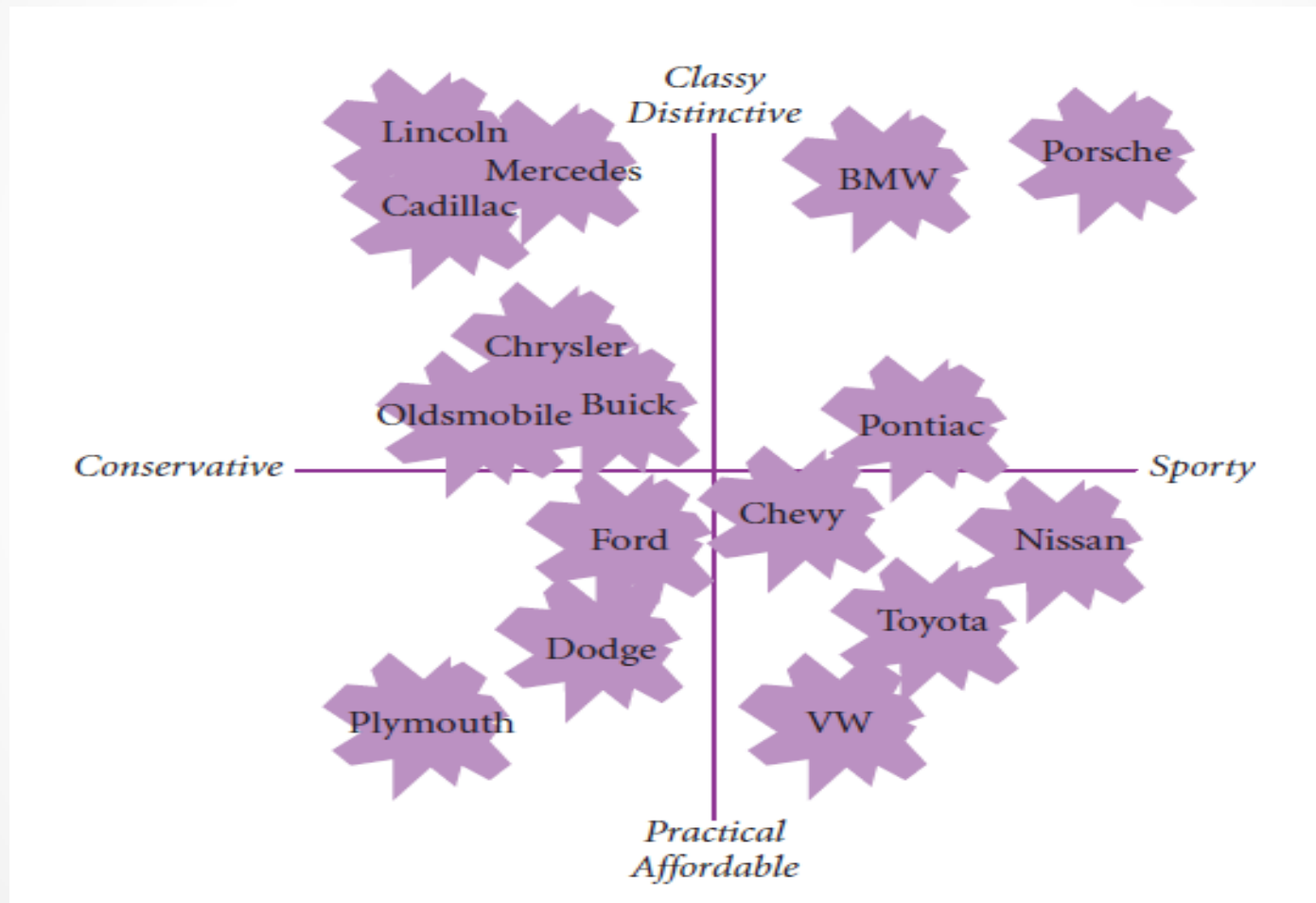
Perceptual maps

An effective product-positioning strategy meets two criteria:

- (1) it uniquely distinguishes a company from the competition and (2) it leads customers to expect slightly less service than a company can deliver.
- *Perceptual maps can aid marketers in being more effective in spending money to promote products. Products, brands, or companies positioned close to one another are perceived as similar on the relevant dimensions.*
- Companies commonly develop several perceptual maps to better understand competitive advantages and disadvantages versus rival companies.



A perceptual map for the Automobile industries



Strategic Finance/Accounting Issues

Several finance/accounting concepts central to strategy implementation. Some examples of decisions that may require finance and accounting policies are:

1. To use last-in, first-out (LIFO), first-in, first-out (FIFO), or a market-value accounting approach
2. To extend the time of accounts receivable
3. To establish a certain percentage discount on accounts within a specified period of time
4. To determine the amount of cash that should be kept on hand



Strategic Research and Development (R&D) Issues

Research and development (R&D) personnel can play an integral part in strategy implementation.

These individuals are generally charged with developing new products and improving old products effectively.

Strategies such as product development, market penetration, and related diversification require that new products be successfully developed and that old products be significantly improved.

The most successful organizations use an R&D strategy that ties external opportunities to internal strengths and is linked with objectives.

Well-formulated R&D policies match market opportunities with internal capabilities.



Strategic R&D issues include the following:

1. To emphasize product or process improvements.
2. To stress basic or applied research.
3. To be a leader or follower in R&D.
4. To develop robotics or use manual-type processes.
5. To spend a high, average, or low amount of money on R&D.
6. To perform R&D within the firm or contract R&D to outside firms.
7. To use university researchers or private-sector researchers.



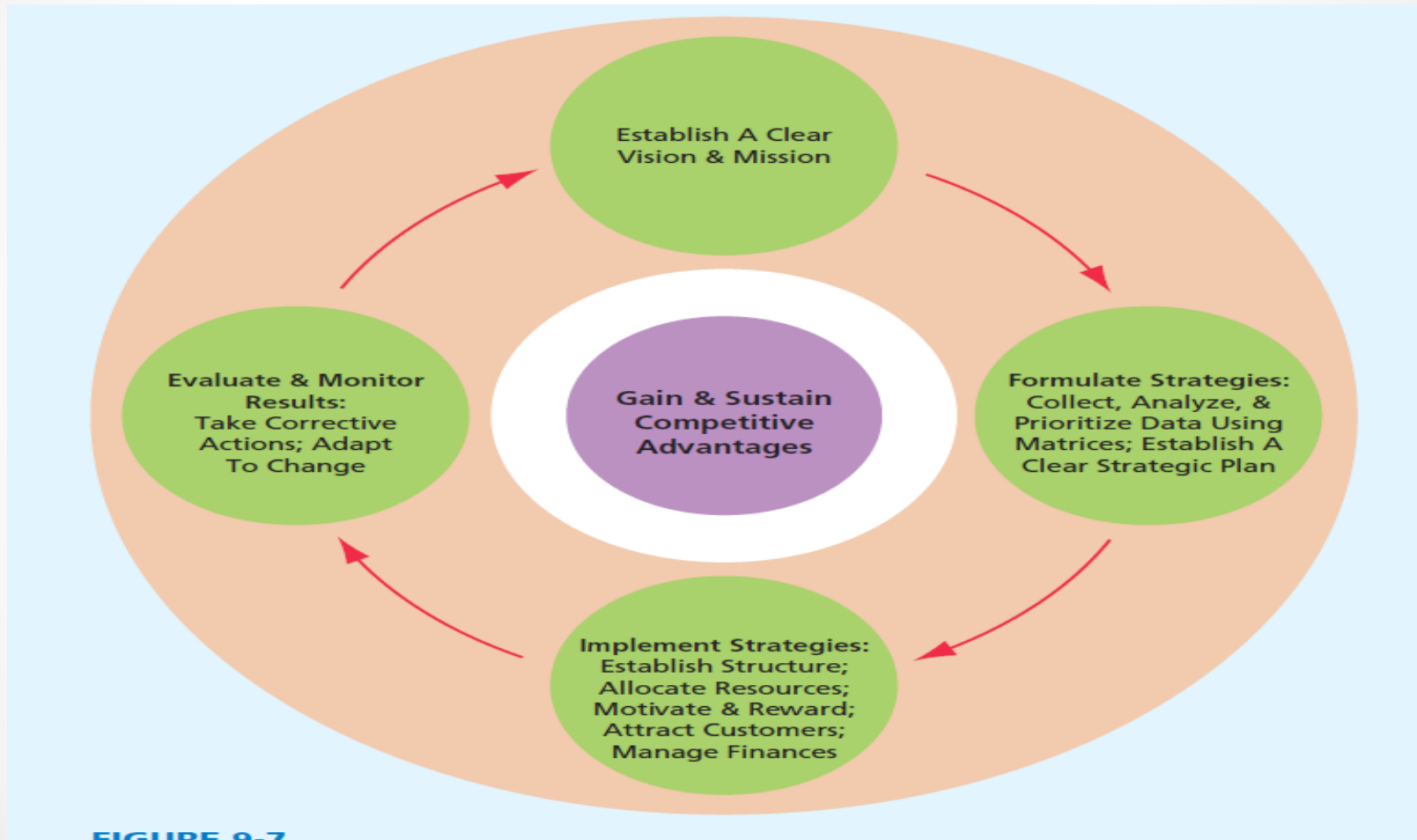
Strategic Management Information

Systems (MIS) Issues

Firms that gather, assimilate, and evaluate external and internal information most effectively are gaining competitive advantages over other firms.

- *Having an effective management information system (MIS) may be the most important factor in differentiating successful from unsuccessful firms.*
- The process of strategic management is facilitated immensely in firms that have an effective information system.
- Like inventory and human resources, information is now recognized as a valuable organizational asset that can be controlled and managed.
- *Firms strive to implement strategies using the best information.*

How to gain a competitive advantage?



Chapter Summary

Successful strategy implementation depends on cooperation among all functional and divisional managers in an organization.

- Marketing departments are commonly charged with implementing strategies that require significant increases in sales revenues in new areas and with new or improved products.
- Finance and accounting managers must devise effective strategy- implementation approaches at low cost and minimum risk to that firm.
- Research and development managers have to transfer complex technologies or develop new technologies to successfully implement strategies.

Chapter Summary

- Information systems managers are being called on more and more to provide leadership and training for all individuals in the firm.
- *The nature and role of marketing, finance/accounting, R&D, and MIS activities, coupled with the management, production/operations, and human resource activities largely determine organizational success.*

