Part 1 Overview of Strategic Management 1 The Nature of Strategic Management Source: Odua Images/Fotolia Learning Objectives After studying this chapter, you should be able to do the following: 1-1 Describe the strategic-management process. 1-2 Discuss the three stages of strategy formulation, implementation, and evaluation activities. 1-3 Explain the need for integrating analysis and intuition in strategic management. 1-4 Define and give examples of key terms in strategic management. 1-5 Illustrate the comprehensive strategic-management model. 1-6 Describe the benefits of engaging in strategic management. 1-7 Explain why some firms do no strategic planning. 1-8 Describe the pitfalls in actually doing strategic planning. 1-9 Discuss the connection between business and military strategy. Assurance of Learning Exercises The following exercises are found at the end of this chapter: Exercise 1A Compare Business Strategy with Military Strategy Exercise 1B Gather Strategy Information for the Hershey Company Exercise 1C Update the Hershey Cohesion Case Exercise 1D Strategic Planning for Your University Exercise 1E Strategic Planning at a Local Company Exercise 1F Get Familiar with the Strategy Club Website Exercise 1G Game Plans vs. Strategic Plans: Teams vs. Companies When CEOs from the big three U.S. automakers—Ford, General Motors (GM), and Chrysler—showed up several years ago without a clear strategic plan to ask congressional leaders for bailout monies, they were sent home with instructions to develop a clear strategic plan for the future. Austan Goolsbee, one of President Barack Obama’s top economic advisers, said, “Asking for a bailout without a convincing business plan was crazy.” Goolsbee also said, “If the three auto CEOs need a bridge, it’s got to be a bridge to somewhere, not a bridge to nowhere.”1 This text gives the instructions on how to develop a clear strategic plan—a bridge to somewhere rather than nowhere. The chapter provides an overview of strategic management. It introduces a practical, integrative model of the strategic-management process, and it defines basic activities and terms in strategic management. At the beginning of each chapter, a different company is showcased doing an exemplary job applying strategic-planning concepts, tools, and techniques. The first company featured for excellent strategic management practices is Apple, Inc., one of the best-managed companies ever, and currently led by one of the best strategists in the world, Mr. Tim Cook, who followed a legendary strategist, Mr. Steve Jobs. At the end of each chapter, a new, one-page, mini-case on a company is provided with respective questions that examine various concepts, tools, and techniques presented. Exemplary Company Showcased Apple, Inc. (AAPL) Headquartered in Cupertino, California, Apple, Inc. designs, produces, and markets smartphones, watches, personal computers, digital music players, and much more worldwide. Apple is arguably the most successful company in modern times. The company was founded in 1977 by a great strategist, an American legend, the late Mr. Steve Jobs. According to Financial Times, the best corporate strategist in 2014 was Apple CEO Tim Cook, who led Apple to a record $700 billion market capitalization, with booming iPhone and personal computer sales, and handed billions of dollars back to shareholders. Financial Times named CEO Cook as “Person of the Year” for Apple’s huge achievements as well as Cook’s courage. Cook came forward as the Fortune 500’s first openly gay CEO when he published an essay in October 2014 in Bloomberg Businessweek saying he was “proud to be gay.” Cook was courageous in other ways too. For example, at an Apple’s shareholder meeting, when someone questioned the profitability of Apple’s environmental initiatives, Cook responded, “We do things for other reasons than a profit motive; we do things because they are right and just. If that’s a hard line for you . . . then you should get out of the stock.” Amidst tremendous fanfare, Apple recently released its iWatch and is poised to introduce iTV, along with an electric car. Apple and IBM have released the first apps to emerge from their collaboration—a collection that CEO Cook says is “the most enterprising apps ever.” Also, Apple recently entered the e-book business as well as the banking business with its Apple Pay system, whereby customers use their iPhone to pay for merchandise at hundreds of retail checkout counters. In addition, Apple recently acquired Metaio, a company that makes augmented-reality (AR) technologies, a concept that allows developers to overlay digital information on top of the real world. A number of companies are working on AR, including Microsoft and Google with their HoloLens and Magic Leap projects, respectively. Many scientists expect AR and virtual reality (VR) to be the next major computing platform after mobile devices such as smartphones and tablets. For the eighth year in a row, Fortune recently named Apple the world’s most admired company. Source: Company documents and a variety of sources.