Davao del Sur State College
Brgy. Matti, Digos City, Davao del Sur

# STRATEGIC MANAGEMENT

## PREFACE

Strategic Management is a vital discipline that equips learners with the knowledge and tools needed to navigate complex and dynamic business environments. This module is designed to provide a comprehensive foundation in the principles, concepts, and practices of strategic management, emphasizing the importance of long-term planning, competitive positioning, and organizational sustainability. It introduces learners to the critical processes of analyzing internal and external environments, formulating effective strategies, and implementing actions that align with organizational goals and vision.

Throughout this module, learners will explore key strategic frameworks and develop analytical skills necessary for sound decision-making in real-world contexts. With a focus on both global perspectives and local business realities, the module encourages critical thinking, adaptability, and ethical leadership. By the end of this course, learners are expected to appreciate the role of strategic management in driving organizational success and be prepared to contribute meaningfully to strategic initiatives in their respective fields.

The Authors

# STRATEGIC MANAGEMENT

KIM F. LLEGO
BEVERLY GRACE B. BALDERAZ

## TABLE OF CONTENTS

## ABOUT THE AUTHOR

The author, Kim Florentino Llego, MBA, serves as a dedicated permanent instructor at Davao del Sur State College, where he inspires the next generation of business leaders with his academic expertise. Beyond the classroom, he is a prolific and active researcher who deeply investigates regional economic dynamics, focusing on critical areas like agricultural credit access and smallholder farmer performance. His commitment to societal growth is highly evident in his role as an extensionist, bridging the gap between complex academic theories and practical, real-world community applications. Through his multifaceted initiatives, he seamlessly blends strategic business analysis with localized grassroots development to foster sustainable community empowerment. Ultimately, his dual passion for rigorous scholarly inquiry and meaningful community service reinforces the institution's vital mission of driving regional progress.

Beverly Grace B. Balderaz is an Instructor at Davao del Sur State College. She is dedicated to advancing quality education through instruction, research, and academic material development. With a passion for teaching and lifelong learning, she aims to provide students with practical, relevant, and engaging learning experiences. As the author of this Strategic Management Module, the author seeks to equip learners with essential knowledge and skills in strategic thinking, planning, decision-making, and organizational management. Her goal is to help students understand the importance of strategy in achieving organizational success and sustainability in a dynamic and competitive environment. Through this module, she hopes to inspire learners to develop analytical, leadership, and problem-solving competencies necessary for both academic and professional growth.

# MODULE 1: STRATEGIC MANAGEMENT ESSENTIALS

## Module Overview

This module introduces foundational concepts that equip learners with the tools to navigate competitive business landscapes. Starting with understanding strategy, grasping how it integrates long-term vision with daily operations. This module lays the groundwork for turning strategic thinking into actionable plans, vital for agribusiness ventures facing market volatility and sustainability challenges.

Delving deeper, you'll uncover the benefits of Strategic Management, such as enhanced decision-making, resource optimization, and adaptive resilience, alongside practical guidelines for effective strategic management like aligning goals with stakeholder needs and fostering organizational agility. By module's end, participants will articulate strategic principles, apply them to real-world scenarios, and recognize pitfalls to avoid. This sets the stage for advanced modules on execution and innovation.

## Module Objectives/Outcomes

At the end of Module 1, you will be able to:

a) Explain the definition, nature, stages, and key terms of strategic management, including examples like SWOT and competitive advantage;

b) List the main benefits of strategic management and outline guidelines for its effective use in real-world business settings;

c) Apply the three stages of strategic management to a simple case, such as an agribusiness plan; and

d) Assess how strategic management supports business success.

## Lessons in the Module:

Lesson 1: The Nature of Strategic Management

Lesson 2: Stages of Strategic Management

Lesson 3: Effective Strategic Management

**Lesson 1: The Nature of Strategic Management**

## Learning Outcomes

At the end of this lesson, you will be able to:

a) Describe strategic management as an ongoing process that adapts to changes in markets or competition;
b) Explain how it connects all parts of a business, from top leaders to daily teams; and
c) Identify its multilevel scope: from company-wide goals to specific department actions, like in agribusiness planning.

## Time Frame: Week 2

## Introduction

Strategic management is more than just making plans—it's the heartbeat of a successful business. At its core, it blends big-picture thinking with everyday actions to help companies grow, adapt, and win against rivals. Think of it as a living guide: dynamic, not fixed, because markets shift fast—like crop prices in Davao changing with weather or demand. It spans all levels, from top leaders setting the vision to teams handling daily tasks. This lesson uncovers its true nature so you can see why every business, big or small, needs it to thrive.

What makes strategic management special? It's integrative, pulling together people, resources, and goals across the whole organization. It's proactive, spotting opportunities early, and multilevel, working from company-wide strategies down to department plans. Benefits include smarter choices and less risk, but it demands flexibility and teamwork. By the end, you'll grasp these traits and apply them, like adjusting an agribusiness strategy for sustainable growth.

## Activity

**Title:** ***"Strategy in Action" Mapping***

**Objective:** Show the dynamic, multilevel nature of strategic management using a real business example.

**Materials Needed:** Paper/markers or digital tool like Canva.

**Duration:** 10 minutes

**Steps:**

1. Group Setup (5 mins): Form groups of 4-6. Pick a local business, like a Davao agribusiness (e.g., banana farm or coffee shop).

2. Map the Nature (10 mins): On paper or slides, draw a mind map. Label sections for:
    - *Dynamic*: List 2 changes it faces (e.g., weather, new competitors) and how to adapt.
    - *Integrative*: Show how top leaders, teams, and resources connect (e.g., farm owner plans, workers harvest).
    - *Multilevel*: Note company goal (e.g., "grow exports"), division task (e.g., "improve packing"), and daily action (e.g., "check soil").
3. Share and Discuss (10 mins): One group presents. Class votes on the best adaptation idea.
4. Debrief: What makes strategic management "alive" like this? Link to benefits.

**Assessment:** Quick rubric—clear map (30points), real examples (30points), group teamwork (40points).

## Abstraction

Strategic management is a living process, not a one-time plan. Its dynamic nature means it constantly evolves with market shifts, like weather impacting agribusiness or tech changing retail. Integrative by design, it unites leaders, teams, and resources toward shared goals, ensuring everyone pulls in the same direction. This creates a flexible framework where big visions guide daily actions, turning challenges into opportunities for growth.

At its multilevel core, strategic management operates from top-level vision (company-wide) to operational details (team tasks), fostering proactive decisions and long-term wins. Key takeaway: Embrace its adaptive, collaborative essence to build resilient businesses—ignore it, and you risk falling behind. In essence, it's the art of steering through uncertainty with purpose and unity.

***Strategy*** is a clear plan that guides a business toward long-term success by making smart choices about goals, resources, and competition. It starts with knowing your strengths and market needs, then sets a direction—like a roadmap from where you are now to where you want to be, such as growing an agribusiness in Davao by focusing on high-demand crops. Unlike daily tasks, strategy looks ahead, adapts to changes like new rivals or weather shifts, and unites the whole team around big wins.

Understanding **strategy** means grasping it as a clear roadmap that guides a business to its long-term goals while outsmarting competitors. It's not random actions but a deliberate plan blending vision, resources, and adaptability—like a Davao farmer plotting crop choices based on market trends, weather risks, and export chances. At its heart, strategy answers key questions: Where are we now? Where do we want to go? How do we get there? This foundation helps companies like MSMEs thrive amid change, turning ideas into real wins through focused, smart moves.

***Strategic Management*** is the full process of planning, doing, and checking a company's big-picture direction to reach its goals and beat competition. It starts with leaders spotting opportunities and risks, then crafts a vision—like a mission for growth and core values that guide everyone. Tools like SWOT analysis help scan inside strengths (e.g., skilled workers) and outside factors (e.g., market demand). In short, it's proactive leadership that aligns the whole business for long-term success, not just short fixes.

Unlike daily operations, strategic management looks ahead, adapts to changes, and involves all levels—from top decisions on expansion to team actions on efficiency. For an agribusiness in Davao, it means planning sustainable farming, new markets, and risk handling like price drops. Done right, it builds competitive edge, cuts waste, and drives steady growth.

Strategic management is characterized by the following key attributes:

- **Long-Term Orientation:** Focuses on achieving goals that extend beyond immediate or short-term gains.
- **Cross-Functional:** Involves coordination across multiple departments and functions within the organization.
- **Dynamic and Continuous:** Strategy is an ongoing process that must evolve as internal and external conditions change.
- **Integrated:** Balances both internal factors (resources, capabilities) and external factors (market trends, competitors).
- **Decision-Focused:** Involves critical choices about how to compete and survive in the marketplace.
- **Uncertainty and Risk Management:** Requires anticipating uncertainties and preparing to respond to risks.

## Application

Case: Davao Banana Farm Expansion
Scenario: GreenFields Farm in Digos wants to grow from local sales to exporting bananas. They have strong farming skills but face high transport costs and new competitors.
Task (5-7mins):
Analyze using 4 key terms. Write 1-2 sentences each:

1. Mission: What should their mission be?
2. Vision: State a clear 5-year vision.
3. SWOT: List 1 Strength, 1 Weakness, 1 Opportunity, 1 Threat.
4. Competitive Advantage: What unique edge can they build? (Link to Core Competencies.)

Share & Debrief (5 mins): Discuss in class—what term was hardest? How do these drive strategy?

## Closure

Congratulations students for the job well done! You are now familiar what the nature of strategic management is hence, you are now ready for the next lesson on the "Stages of Strategic Management".

## Lesson 2: Stages of Strategic Management

### Learning Outcomes

At the end of this lesson, you will be able to:

a) Explain the stages of strategic management and describe the key activities involved in each stage, and
b) Analyze an organization's strategic decisions by identifying which stage of strategic management they belong to and justifying their classification using basic strategic concepts.

### Time Frame: Week 2/3

### Introduction

Strategic management is a vital process that guides organizations in setting direction, making informed decisions, and achieving long-term success in a dynamic and competitive environment. It enables managers to systematically analyze internal strengths and weaknesses alongside external opportunities and threats, ensuring that organizational actions are aligned with its mission and vision. Through strategic management, organizations are better equipped to anticipate change, allocate resources effectively, and sustain competitive advantage over time.

The stages of strategic management provide a structured framework for turning ideas into actionable results. These stages typically include strategy formulation, strategy implementation, and strategy evaluation and control, each playing a critical role in the overall process. Understanding these stages helps students appreciate how strategies are developed, executed, and continuously improved, highlighting that strategic management is not a one-time activity but an ongoing and adaptive cycle essential for organizational growth and resilience.

### Activity

**Title:** "From Vision to Action"

**Objective:** To identify the four stages of strategic management, to explain the purpose of each stage, to apply the stages to a simple organizational scenario.

**Instructions:**
**Step 1: Group Formation (5 minutes)**
Divide the class into groups of 4–5 students.

---

**Step 2: Scenario Distribution (5 minutes)**
Provide each group with the same **simple scenario**:

*ABC Café is a small local coffee shop experiencing declining sales due to increasing competition from large coffee chains and online food delivery services.*

**Step 3: Stage-Based Analysis (20 minutes)**
Each group completes the table below based on the scenario:

| Stage of Strategic Management | Guide Question | Group Output |
|---|---|---|
| **Environmental Scanning** | What internal strengths/weaknesses and external opportunities/threats does ABC Café face? | List at least 2–3 factors |
| **Strategy Formulation** | What strategy should ABC Café adopt to improve its performance? | One clear strategy |
| **Strategy Implementation** | How will the strategy be carried out? | 2–3 action steps |
| **Strategy Evaluation** | How will ABC Café know if the strategy is working? | 1–2 evaluation measures |

**Step 4: Group Sharing (10 minutes)**
Each group briefly presents one stage of their analysis to the class.

**Assessment (Simple Rubric)**

- Correct identification of stages – 40%
- Relevance of ideas – 40%
- Clarity of presentation – 20%

## Abstraction

Strategic management is a systematic process that organizations use to define their direction and achieve long-term objectives. It involves a series of interrelated stages that guide decision-makers in aligning the organization's mission, vision, and goals with its internal capabilities and external environment. Through these stages, organizations are able to respond proactively to changes, sustain competitive advantage, and ensure effective use of resources.

The first stage of strategic management is **strategy formulation**, where the organization establishes its vision and mission and conducts environmental scanning. This includes analyzing external factors such as industry trends, competition, and economic conditions, as well as internal factors like strengths, weaknesses, and available resources. Based on these analyses, strategic options are generated and evaluated, leading to the selection of strategies that best support organizational goals.

The second stage is **strategy implementation**, which focuses on putting the chosen strategies into action. This involves designing organizational structures, allocating resources, developing policies, and motivating employees to execute plans effectively. Successful implementation requires strong leadership, clear communication, and coordination across all levels of the organization to translate strategic plans into operational results.

The final stage is **strategy evaluation and control**, where management assesses the outcomes of implemented strategies. Performance is measured against established objectives using key indicators, and feedback is gathered to identify gaps or areas for improvement. This stage ensures that strategies remain relevant and effective, allowing organizations to make necessary adjustments and continuously improve in a dynamic business environment.


## Application

**Title:** “Build-a-Strategy Challenge”
**Instructions:**

1. **Group Formation**
   - Students will form small groups (3–5 members).
   - Each group will choose or be assigned a simple business scenario (e.g., struggling street food vendor, startup clothing brand, school canteen).
2. **Stage 1: Environmental Scanning**
   - Identify:
     - Strengths and Weaknesses (internal factors)
     - Opportunities and Threats (external factors)
   - Output: SWOT Analysis table
3. **Stage 2: Strategy Formulation**
   - Create:
     - Vision and mission statement
     - At least 2–3 strategic goals
     - Strategies to achieve goals
   - Output: Short strategic plan
4. **Stage 3: Strategy Implementation**

- Propose:
    - Specific actions/activities
    - Required resources (budget, people, materials)
    - Timeline
- Output: Action plan or simple implementation matrix

5. **Stage 4: Strategy Evaluation and Control**
    - Develop:
        - Performance indicators (e.g., sales growth, customer satisfaction)
        - Monitoring methods (e.g., surveys, weekly reports)
    - Output: Evaluation checklist

**Output/Presentation**

- Each group will present their strategic plan in 5–7 minutes.
- Visual aids may include charts, diagrams, or posters.

**Guide Questions**

- How did your SWOT analysis influence your strategy?
- What challenges might arise during implementation?
- How will you know if your strategy is successful?

**Assessment Criteria (Sample)**

- Clarity and completeness of each stage – 30%
- Practicality and creativity of strategies – 30%
- Organization and presentation – 20%
- Team collaboration – 20%

## <u>Closure</u>

Congratulations students for the job well done! You are now familiar what management science is hence, you are now ready for the next lesson on the "Decision Theory".

**Lesson 3: Effective Strategic Management**

## Learning Outcomes

At the end of this lesson, you will be able to:

a) Analyze the key components of effective strategic management and their role in organizational success;
b) Apply strategic management principles in developing practical and responsive business strategies.

## Time Frame: Week 3

## Introduction

In today's highly competitive and rapidly changing business environment, organizations must go beyond simply creating strategies—they must ensure that these strategies are effectively designed, implemented, and evaluated. Effective strategic management enables organizations to remain adaptable, competitive, and goal-oriented.

Companies such as Jollibee Foods Corporation and SM Investments Corporation demonstrate how aligning vision, execution, and continuous evaluation leads to sustained growth and success. This lesson explores how strategic management becomes effective when it is well-integrated, responsive to change, and consistently monitored.

## Activity

**Title:** "Strategy in Action"

**Instructions:**

1. Divide the class into small groups (3–5 members).
2. Each group will be given a short business scenario (e.g., declining sales, new competitor, expansion opportunity).
3. Groups will:
    - Identify key issues affecting the business
    - Propose strategic actions
    - Explain how their strategy will be effectively managed

Guide Questions:

- What makes your strategy effective?
- How will you ensure proper implementation?
- How will you measure success?

Output:

- 5-minute group presentation
- Short written summary of strategy

## Abstraction

Effective strategic management is a comprehensive and continuous process that ensures an organization not only formulates sound strategies but also executes and evaluates them successfully in a dynamic environment. It integrates decision-making, resource allocation, leadership, and performance monitoring to achieve long-term organizational goals and sustain competitive advantage.

At its core, effective strategic management begins with a clear strategic direction, anchored on well-defined vision, mission, and objectives. These elements serve as a guiding framework for all organizational actions. Without clarity, strategies may become fragmented, inconsistent, or misaligned with the organization's purpose. Another critical element is strategic alignment, which ensures that all resources—human, financial, and technological—are coordinated toward the same goals. Departments and individuals must work cohesively, avoiding silos that can hinder execution. For example, organizations like Jollibee Foods Corporation align their marketing, operations, and customer service strategies to deliver a consistent brand experience.

Equally important is effective implementation, often considered the most challenging stage. A well-crafted strategy can fail without proper execution. This requires strong leadership, clear communication, defined roles, and a supportive organizational culture. Leaders must motivate employees, manage change, and ensure accountability across all levels.

Furthermore, effective strategic management emphasizes adaptability and responsiveness. Organizations operate in environments characterized by rapid technological changes, shifting consumer preferences, and global competition. Companies such as SM Investments Corporation continuously adjust their strategies to respond to market trends, economic conditions, and emerging opportunities.

Another essential component is performance measurement and control. Organizations must establish key performance indicators (KPIs) to track progress and determine whether strategies are achieving desired outcomes. This involves regular monitoring, evaluation, and feedback mechanisms. When gaps are identified, corrective actions are implemented to improve performance.

Moreover, effective strategic management is cyclical and iterative rather than linear. Insights gained from evaluation feed back into strategy reformulation, allowing continuous improvement. This cycle ensures that strategies remain relevant and competitive over time.

Finally, effective strategic management promotes innovation and sustainability. Organizations are encouraged to explore new ideas, adopt innovative practices, and consider long-term impacts on stakeholders, society, and the environment. Companies like Ayala Corporation demonstrate how strategic management can balance profitability with sustainable development.

## Application

**“Strategic Improvement Plan”**

**Task:**
Students will apply their understanding by creating a **Strategic Improvement Plan** for a chosen or assigned business (e.g., sari-sari store, online shop, food stall).
**Steps:**

1. **Assess Current Strategy**
   - Identify existing practices and challenges
2. **Propose Improvements**
   - Suggest strategies to improve performance (marketing, operations, customer service)
3. **Ensure Effectiveness**
   - Explain how strategies will be:
     - Implemented (who, what, when)
     - Monitored (performance indicators)
     - Adjusted (feedback mechanisms)

**Output:**

- Written plan (1–2 pages) or visual presentation

## Closure

Well done! You just finished the last lesson of Module 1. If you are ready to proceed, the next module will discuss about the “Establishing Company Direction”.

## Module Assessment

The module assessment for Module 1 will consist of multiple-choice questions and short answer questions. This assessment aims to evaluate students' understanding of the key concepts covered in the module's lessons.

**Part 1. Multiple- Choice Questions**

1. What is the primary goal of strategic management?
   A. To maximize short-term profits only
   B. To align organizational resources with long-term objectives
   C. To implement day-to-day operational tasks
   D. To replace management decision-making with automation

2. Which of the following best describes the nature of strategic management?
   A. Static and linear
   B. Routine and operational
   C. Dynamic and continuous
   D. Optional for small organizations

3. Which of these is NOT a key characteristic of strategic management?
   A. Integration of internal and external factors
   B. Focus on long-term goals
   C. Continuous evaluation and adjustment
   D. Exclusive focus on employee satisfaction

4. What is the first stage of strategic management?
   A. Strategy Implementation
   B. Environmental Scanning
   C. Evaluation and Control
   D. Strategy Formulation

5. During the strategy formulation stage, managers primarily:
   A. Monitor and evaluate outcomes
   B. Allocate resources to departments
   C. Develop goals and select appropriate strategies
   D. Conduct employee performance reviews

6. Why is strategy evaluation considered an important stage in strategic management?
   A. It eliminates the need for planning
   B. It ensures strategies are effective and aligned with goals
   C. It replaces the formulation stage
   D. It focuses only on financial performance

7. Which factor is MOST critical for effective strategic management?
   A. Leadership and communication
   B. Hiring more employees

C. Daily operational task completion
D. Reducing costs at all times

8. Effective strategic management requires:
   A. A one-time strategy that never changes
   B. Integration, adaptability, and continuous improvement
   C. Focusing solely on external competition
   D. Ignoring performance indicators

9. In effective strategic management, Key Performance Indicators (KPIs) are used to:
   A. Replace leadership roles
   B. Monitor and evaluate progress toward objectives
   C. Conduct casual employee surveys
   D. Limit organizational flexibility

10. Which real-world example demonstrates effective strategic management in action?
    A. A company with no planning, reacting randomly to the market
    B. A fast-food chain aligning marketing, operations, and customer service to maintain competitive advantage
    C. A startup ignoring market trends
    D. A firm focusing only on day-to-day tasks

**Part 2. Takeaway Short Questions:**

1. How does understanding the dynamic and continuous nature of strategic management help organizations respond to changes in their environment?
2. Which stage of strategic management do you think is the most challenging to implement in a real business, and why?
3. What are some practical ways an organization can ensure that its strategies are not only formulated but also effectively executed and continuously improved?

## Module Summary

This module introduced students to the foundational concepts, processes, and applications of strategic management. The Nature of Strategic Management, students explored the fundamental purpose and characteristics of strategic management. They learned that strategic management is a dynamic, continuous, and integrative process that enables organizations to align their resources, capabilities, and decisions with long-term objectives. The lesson highlighted the importance of understanding both internal and external factors and emphasized that strategic management is critical for achieving sustainable competitive advantage in a rapidly changing business environment.

Stages of Strategic Management, the module focused on the systematic process through which strategies are developed, executed, and evaluated. Students examined the four key stages: environmental scanning, strategy formulation, strategy implementation, and strategy evaluation and control. Each stage was discussed in terms of its purpose, activities, and contribution to overall organizational success. The lesson emphasized that these stages are interconnected and cyclical, allowing organizations to continuously adapt to changes, correct course when necessary, and ensure that strategies remain relevant and effective over time.

Effective Strategic Management highlighted the factors that make strategic management successful in practice. Students learned that effectiveness in strategic management is achieved through clarity of vision and goals, alignment of resources, strong leadership, adaptability, and continuous performance monitoring. The lesson emphasized the role of Key Performance Indicators (KPIs), feedback mechanisms, and iterative evaluation in ensuring strategies are not only implemented but continuously improved. Real-world examples demonstrated how organizations that integrate these principles maintain competitive advantage, innovate, and sustain long-term growth.

Overall, this module provided students with both the theoretical understanding and practical insights needed to analyze, formulate, implement, and evaluate strategies effectively. By integrating the nature, stages, and effectiveness of strategic management, students are better equipped to apply these concepts in real-world organizational contexts, ensuring that strategic decisions lead to meaningful and sustainable outcomes.

## References

David, F. R., & David, F. R. (2017). *Strategic management: A competitive advantage approach, concepts and cases* (16th ed.). Pearson.

Ketchen, D. J., & Short, J. C. (2021). *Mastering strategic management* (3rd ed.). FlatWorld.

# MODULE 2: ESTABLISHING COMPANY DIRECTION

## Module Overview

This module focuses on how organizations establish a clear company direction through strategic vision, mission, and objectives. It emphasizes the importance of defining where the organization wants to go, what it stands for, and how it plans to achieve its goals. By understanding these concepts, students will gain insight into how strategic direction guides decision-making, aligns organizational efforts, and supports long-term success.

## Module Objectives/Outcomes

At the end of Module 2, you will be able to:

a. Explain the concept and importance of strategic vision and mission;
b. Differentiate between vision and mission statements;
c. Formulate clear and realistic performance objectives
d. Distinguish between strategic objectives and financial objectives.

## Lessons in the Module:

Lesson 1: Concept of Strategic Vision

Lesson 2: Concept of Strategic Mission

Lesson 3: Setting Performance Objectives

Lesson 4: Strategic Objectives vs. Financial Objectives

| Lesson 1: | Concept of Strategic Vision |
|---|---|

## Learning Outcomes

At the end of this lesson, you will be able to:
a) Define strategic vision;
b) Explain the role of vision in guiding organizational direction; and
c) Identify the characteristics of an effective vision statement.

## Time Frame: Week 4

## Introduction

A strategic vision describes what an organization aspires to become in the future. It provides a long-term perspective and serves as a guide for decision-making and strategy formulation. A clear vision inspires employees, aligns efforts, and helps the organization stay focused despite changes in the business environment.

Throughout the lesson, students will examine the characteristics of an effective strategic vision and understand how it differs from mission statements and short-term objectives. Real-world examples will be discussed to show how organizations use strategic vision to adapt to change, remain competitive, and achieve sustainable success. By the end of the lesson, students will gain practical insights into how a strong strategic vision shapes organizational culture, strategy formulation, and overall performance.

## Activity

**Title:** ***Creating a Strategic Vision***

**Objective:** To help students understand how strategic vision is formulated and how it guides organizational direction and decision-making.

**Materials Needed:**
- Ballpen
- Piece of Paper

**Duration:** 30 minutes

## Analysis

**Group Formation Dynamics:** Divide the class into small groups of 6–8 students. Each group will act as the top management team of a hypothetical organization. Assign each group a different type of organization, such as:

- A start-up technology company
- A public university
- A retail business
- A non-profit organization

**Presentation:** Each group presents their organization, explains the strategic vision they developed, and justifies why it is appropriate for their chosen organization. Encourage other students to ask questions, compare visions, and provide constructive feedback on clarity, feasibility, and alignment with organizational purpose.

## Abstraction

### What is Strategic Vision?

**Strategic vision** refers to a clear and compelling statement that describes what an organization aspires to become in the future. It provides a long-term direction and serves as a guide for strategic decision-making. A strategic vision answers the question: "Where do we want to go?" and reflects the organization's desired future position. It is forward-looking in nature and focuses on shaping the organization's future by aligning goals, resources, and actions toward a common direction.

### Importance of Strategic Vision

Strategic vision plays a crucial role in strategic management because it:

- Clearly provides the direction the organization wants to follow
- Guides strategic planning and decision-making
- Encourages innovation and entrepreneurship
- Creates a shared sense of purpose among employees
- Helps the organization anticipate change and prepare for the future

### Benefits of a Good Vision

- Inspiring and motivating to members of the organization
- Helps create a common identity and shared sense of purpose
- Competitive, original, and unique
- Encourages risk-taking and experimentation
- Promotes long-term thinking

**Process of Developing a Strategic Vision**

1. **Understanding the Organization**
   To formulate a vision, strategic leaders must first understand the organization. This involves identifying its mission and purpose, the value it provides to society, its current position, factors for success, and its critical stakeholders—both internal and external—along with their interests and expectations.

2. **Conducting a Vision Audit**
   This step assesses the organization's current direction and momentum. Leaders determine whether a clearly stated vision already exists and evaluate the organization's present strategic direction.

3. **Targeting the Vision**
   At this stage, leaders begin narrowing the vision by identifying boundaries or constraints. Key considerations include what the vision must accomplish and which critical issues need to be addressed.

4. **Setting the Vision Context**
   Strategic leaders look into the future and consider possible environmental changes that may affect the organization. This involves categorizing future developments, listing expectations for each category, determining which expectations are most likely, and assigning probabilities to their occurrence.

5. **Developing Future Scenarios**
   Based on the most likely and impactful expectations, leaders combine these factors into a few brief scenarios representing a range of possible futures.

6. **Generating Alternative Visions**
   Different vision statements are created to reflect alternative future directions. At this stage, ideas are generated freely without evaluation.

7. **Choosing the Final Vision**
   Strategic leaders select the most appropriate vision—one that meets the criteria of a good vision, aligns with organizational culture and values, and applies broadly across the organization.

**Application**

**Title:** Crafting a Vision Statement

**Task:** Imagine you are the CEO of a startup that sells eco-friendly products.

1. Identify the **long-term aspirations** of your organization.
2. Write a clear and inspiring **strategic vision statement**.
3. Explain how this vision aligns with the future direction of your organization.

## Closure

Congratulations students for the job well done! You are now familiar what the concept of strategic vision is hence, you are now ready for the next lesson on the "Concept of Strategic Mission"

## Lesson 2: Concept of Strategic Mission

## Learning Outcomes

At the end of this lesson, you will be able to:

a) Define what a mission statement is and explain its purpose in an organization;
b) Differentiate a mission statement from a vision statement;
c) Identify the key elements of an effective mission statement;
d) Create a clear and meaningful mission statement for a given organization.

## Time Frame: Week 4

## Introduction

A mission statement explains the core purpose of an organization—why it exists, what it does, and who it serves. Unlike a vision statement, which focuses on the future, a mission statement is centered on the present and guides everyday actions and decisions.

In this lesson, students will learn the importance of mission statements in shaping organizational identity, culture, and strategy. Through examples from businesses, schools, and non-profit organizations, students will see how mission statements help align employees, clarify priorities, and communicate values to stakeholders. By understanding how mission statements work, students will be better equipped to evaluate organizations and design mission statements that support clear goals and responsible decision-making.

## Activity

**Title:** *Mission Builders*

**Objective:** To illustrate the concept of a mission statement and its importance in guiding an organization's purpose, activities, and values through a simple, interactive group activity

**Instructions:**

1) Divide the class into small groups of 4–6 students, representing the leadership team of a hypothetical organization.

2) Assign each group one type of organization, such as:
   - A student club or organization
   - A small local business
   - A non-profit community project
   - An online startup

3) Each group will discuss and create a short mission statement (1–2 sentences) for their organization, answering these guiding questions:

    a) What does our organization do?
    b) Who do we serve?
    c) What values guide our actions?

## Abstraction

### Mission Statement

A mission statement specifies the business or businesses in which the firm intends to compete and the customers it intends to serve. It is more concrete and action-oriented than a vision statement and establishes the organization’s individuality. A mission statement provides the foundation for choosing and implementing strategies and is inspiring and relevant to all stakeholders.

According to John Bryson, mission "clarifies an organization’s purpose, or why it should be doing what it does."

### Example of Mission Statements

- *Nissan:* Provides innovative automotive products and services that deliver superior value to stakeholders.
- *Google:* To organize the world’s information and make it universally accessible and useful.
- *McDonald’s:* To be the best employer and deliver operational excellence to customers worldwide.
- *LNP (GE Plastics Company):* To be recognized as a leader in applications engineering by focusing on customer needs and technical excellence.

### Key Features of a Mission Statement

A mission statement:

- Defines the present purpose of the organization
- Explains what the organization does, who it serves, and how it operates
- Is concise, usually one to two sentences
- Covers a shorter time frame (one to three years) compared to a vision statement
- Can be clearly articulated by all employees.

**Characteristics of an Effective Mission**

Every business comes into existence to serve a purpose. Some businesses seek to fill an essential gap in local services while others aim to replace or cut into the market share of existing businesses. In every case, an overriding mission drives the business. The purpose of a mission statement is to give a concise explanation of the business's reason for existing and its long-term goals. The exact form of a mission statement can vary, but effective mission statements typically include nine elements.

Effective mission statements commonly include the following elements:

- Function of the business
- Target consumers
- Target region
- Organizational values
- Technology used
- Employee orientation
- Strategic positioning
- Financial objectives
- Desired public image

**Components of a Mission Statement**

Mission statements can and do vary in length, content, format and specificity. Most practitioners and academicians of strategic management consider an effectively written mission statement to exhibit nine characteristics or mission statement components. Since a mission statement is often the most visible and public part of the strategic management process, it is important that it include most, if not all, of these essential components.

- Customers
- Products or services
- Markets Technology
- Concern for survival, growth, and profitability
- Philosophy
- Self-concept or competitive advantage
- Public image
- Concern for employees

**Benefits of a Mission Statement**

- Ensures unity of purpose within the organization
- Guides effective resource allocation
- Establishes organizational climate and culture
- Helps employees identify with organizational goals
- Translates objectives into structured work assignments Provides standards for evaluating performance

**Additional Importance of Mission Statements**

- Brings organizational uniformity
- Serves as a basis for resource allocation
- Develops organizational culture Enhances employee ownership and motivation
- Clearly defines the business and its responsibilities

## Application

**Title:** Defining the Mission Statement

**Task:** Using the same organization:

1. Identify the **purpose of your organization** (what it does, who it serves, and how).
2. Write a concise **mission statement** that communicates this purpose.
3. Discuss how your mission supports achieving the vision.

## Closure

Congratulations students for the job well done! You are now familiar what the concept of the strategic mission is hence, you are now ready for the next lesson on the "Setting Performance Objectives"

## Lesson 3: Setting Performance Objectives

### Learning Outcomes

At the end of this lesson, you will be able to:

a) Define performance objectives and explain their role in strategic management;
b) Identify the characteristics of effective performance objectives;
c) Apply the SMART framework in setting performance objectives;
d) Formulate clear and measurable performance objectives aligned with vision and mission.

### Time Frame: Week 4

### Introduction

Once an organization has established its vision and mission, the next critical step is setting performance objectives. Performance objectives translate broad strategic intentions into specific, measurable targets that guide actions and evaluate progress. They provide a clear basis for monitoring results, motivating employees, and ensuring that organizational efforts are aligned with strategic priorities.

In this lesson, students will learn how performance objectives are developed, why they are essential to effective strategy execution, and how they help organizations track success. Through guided activities and examples, students will gain practical skills in formulating realistic and meaningful performance objectives.

### Activity

**Title: From Vision to Action**

**Objective**: To help students understand how performance objectives are derived from an organization's vision and mission and how they guide measurable outcomes.

**Instructions:**

1) Divide the class into small groups of 4–6 students.
2) Assign each group a hypothetical organization (e.g., a retail store, a university department, a non-profit organization, or a start-up business).
3) Provide each group with a short vision and mission statement for their assigned organization.
4) Each group will formulate at least three performance objectives that align with the given vision and mission.
5) Groups will present their objectives and briefly explain how each objective supports the organization's strategic direction.

## Abstraction

### What are Performance Objectives?

Performance objectives are specific, measurable targets that an organization sets to assess how well it is achieving its strategic goals. They serve as benchmarks for evaluating progress, guiding managerial decisions, and improving organizational performance. Performance objectives answer the question: "How will we know if we are succeeding?"

Unlike vision and mission statements, which are broad and qualitative, performance objectives are concrete and quantifiable. They focus on outcomes such as productivity, quality, efficiency, customer satisfaction, innovation, and employee performance.

### Importance of Setting Performance Objectives

Setting clear performance objectives is essential because they:

- Translate strategy into actionable targets
- Provide a basis for performance measurement and control
- Improve coordination and focus across departments
- Motivate employees by clarifying expectations
- Support continuous improvement and accountability

### Characteristics of Effective Performance Objectives

Effective performance objectives should be:

- **Clear and Specific** – Objectives must be well-defined and easy to understand
- **Measurable** – Progress should be quantifiable using indicators or metrics
- **Achievable** – Objectives should be realistic given available resources
- **Relevant** – Objectives must align with the organization's vision and mission
- **Time-bound –** Each objective should have a defined timeframe

### The SMART Framework

A widely used approach in setting performance objectives is the SMART framework:

- **Specific** – Clearly states what is to be achieved
- **Measurable** – Includes criteria for measuring progress
- **Achievable** – Attainable within available capabilities
- **Relevant** – Supports strategic priorities
- **Time-bound –** Has a clear deadline

Example of a SMART performance objective: *"Increase customer satisfaction ratings by 15% within the next 12 months through improved service training and faster response times."*

**Types of Performance Objectives**

Organizations may set performance objectives in various areas, including:

1. **Operational Performance Objectives** - These focus on efficiency, quality, and productivity, such as reducing production errors or improving service delivery time.

2. **Customer Performance Objectives** - These aim to enhance customer satisfaction, loyalty, and retention.

3. **Employee Performance Objectives** - These focus on employee skills, engagement, training, and productivity.

4. **Innovation and Learning Objectives** - These encourage continuous improvement, research, and adoption of new technologies.

**Linking Performance Objectives to Strategy**

Performance objectives should always be aligned with the organization's strategic vision and mission. When objectives are properly aligned, they ensure that daily activities contribute directly to long-term goals. Regular monitoring and evaluation of performance objectives allow organizations to adjust strategies, respond to changes, and sustain competitive advantage.

## Application

**Title:** Establishing Measurable Goals
**Task:** For your organization:

1. List at least **3 specific performance objectives** for the next year (e.g., sales targets, market expansion, product launches).
2. Ensure each objective is **SMART** (Specific, Measurable, Achievable, Relevant, Time-bound).
3. Explain how each objective contributes to achieving the strategic mission.

## Closure

Congratulations students for the job well done! You are now familiar what the setting performance objectives is hence, you are now ready for the next lesson on the "Strategic Objectives vs Financial Objectives"

## Lesson 4: Strategic Objectives vs. Financial Objectives

### Learning Outcomes

At the end of this lesson, you will be able to:

a) Define and differentiate between strategic objectives and financial objectives;
b) Analyze the effectiveness of these initiatives in addressing key challenges faced by the agricultural sector, such as low productivity and inadequate infrastructure;
c) Explain how strategic objectives guide organizational direction while financial objectives focus on measurable financial performance
d) Evaluate how aligning strategic and financial objectives can improve decision-making and organizational performance.

### Time Frame: Week 5

### Introduction

Organizations set objectives to provide direction, prioritize resources, and measure success. Strategic objectives focus on long-term goals related to growth, market position, innovation, and stakeholder satisfaction. Financial objectives, on the other hand, are measurable targets related to revenue, profit, cost control, and return on investment.

In this lesson, students will explore the differences and connections between strategic and financial objectives. We will examine how organizations use both types of objectives to balance long-term vision with short-term performance. Through real-world examples and case studies, students will gain insights into how aligning strategic and financial objectives ensures sustainable growth and informed decision-making.

By understanding this relationship, students will be able to critically assess organizational plans and develop strategies that support both strategic goals and financial performance.

### Activity

**Title:** Strategy vs. Finance Debate

**Objective:** To help students understand the importance of balancing strategic and financial objectives by engaging in a structured debate that reflects real-world decision-making

**Group Formation:** Divide the class into 2 groups.

Group 1: Advocates for strategic objectives (long-term goals, growth, innovation, student experience).
Group 2: Advocates for financial objectives (profit, budget efficiency, cost control, measurable outcomes).

**Scenario Setup:** The school is planning improvements for the next academic year. The teams must debate which type of objective—strategic or financial—should be given priority when making decisions.

**Debate Structure:**

**Opening Statements (2–3 minutes per group)**: Each team presents their main argument supporting either strategic or financial objectives.

**Rebuttal Round (2 minutes per team):** Each team responds to the opposing group's arguments, highlighting weaknesses or offering counterpoints.

**Discussion / Question Round (5 minutes):** The judge asks questions, encouraging teams to explain how their objectives help the school achieve success realistically.

**Closing Statements (1–2 minutes per team)**: Teams summarize their key points and make a final appeal.

## Abstraction

### What is a Strategic Objective?

Strategic objectives are high-level, long-term goals that an organization sets to guide and align its actions toward achieving its vision and mission. These objectives define the overall direction of the company and serve as a roadmap for prioritizing resources, decisions, and efforts that lead to sustainable growth and long-term success.

Strategic objectives answer the question: *"What must we achieve to realize our vision?"*

### Types of Strategic Objectives

#### 1. Financial Strategic Objectives

These objectives focus on the financial health of the organization. They help companies project profits, shape budgets, control costs, analyze revenue trends, and plan for financial growth. Financial strategic objectives guide decisions on increasing or decreasing spending and improving overall financial performance.

### 2. Growth Strategic Objectives

Growth objectives focus on expanding the organization's market presence and influence. These may include entering new markets, increasing market share, developing new products or services, and improving internal processes to support long-term expansion.

### 3. Training and Learning Strategic Objectives

These objectives aim to enhance employee knowledge, skills, and capabilities. Organizations invest in training and development to improve overall performance, support innovation, and ensure employees are equipped to meet future challenges.

### 4. Business Process and Operational Strategic Objectives

These objectives focus on improving how the organization operates. They may involve restructuring workflows, improving production efficiency, adopting new technologies, or refining business-to-business (B2B) and business-to-consumer (B2C) strategies.

### 5. Customer Strategic Objectives

Customer-focused objectives aim to improve customer satisfaction, loyalty, and overall experience. These objectives may emphasize value creation, service quality, affordability, or building long-term relationships with customers.

### The Five Key Elements of Strategic Objectives

- **Specific** – Objectives should be clear, precise, and measurable. For example, increasing sales by 10% within one year.
- **Achievable** – Objectives should be realistic yet challenging, encouraging growth without being unattainable.
- **Relevant** – Objectives must align with the organization's vision and mission.
- **Time-boun**d – Each objective should have a defined time frame or deadline.
- **Communicated** – Objectives should be clearly shared across all organizational levels to ensure alignment and collective effort.

**How to Set Strategic Objectives**

- **Define the Vision and Mission** – Establish a clear long-term vision and organizational purpose.
- **Conduct a SWOT Analysis** – Identify strengths, weaknesses, opportunities, and threats to guide objective setting.
- **Set SMART Goals** – Ensure objectives are specific, measurable, achievable, relevant, and time-bound.
- **Prioritize Objectives** – Focus on a limited number of high-impact goals.
- **Involve Key Stakeholders** – Engage leaders and employees to foster commitment and ownership.
- **Establish Action Plans** – Outline steps, responsibilities, timelines, and required resources.
- **Monitor and Adapt** – Regularly review progress and adjust objectives as conditions change.
- **Communicate Organization-wide** – Maintain transparency and shared understanding.
- **Foster Accountability and Recognition** – Assign responsibility and recognize achievements
- **Review and Renew** – Periodically reassess objectives to ensure continued relevance.

**What is Financial Objective?**

Financial objectives are goals set by an organization to achieve financial success and growth. These objectives relate directly to financial performance and may change over time based on business needs and economic conditions.

**Example of Financial Objectives**

Geller Drilling, a mining company with significant debt from startup costs, sets the following financial objectives:

- Improve the debt-to-equity ratio by reducing debt by 10% to 20%
- Increase profit margins by adopting more efficient drilling processes
- Improve net revenue by selling ores to an overseas buyer at a 20% premium

**Importance of Financial Objectives**

**1. Provide direction to operations**

Setting definite financial objectives helps create a clear purpose for all the employees and management members. In other words, everyone in the company can work towards achieving clear goals and ensuring better coordination.

**2. Improve resource allocation**

Allocating resources becomes easier once you have clearly set goals in place. Company management will know exactly how to direct funds and resources according to the prioritised list of its financial objectives.

**3. Helps with long-term planning**

Setting financial objectives makes it easier to plan the future of the company. It essentially helps the company visualise and plot the course of where it's heading.

**4. Provides a relevant measure of success**

Financial objectives act as a measure of success. Achieving set objectives can help managers measure how successfully the company is operating and if any changes in operations are required.

**Types of Financial Objective**

Companies can set various types of financial objectives depending on their priorities and requirements. Here's a comprehensive overview of the different kinds of financial objectives:

**1. Revenue Objectives**

Revenue objectives are some of the most common types of financial objectives set by businesses. Among the different revenue objectives set by companies, the three most common ones are sales maximisation, revenue growth, and boosting market share. The first one refers to maximising sales in the market, the second deals with growing the revenue by a certain percentage, while the third refers to increasing the market share.

**2. Cost Objectives**

Cost objectives of a company cover the aims of lowering the costs of the company without compromising on product or service quality. This objective can be linked to unit costs and target better efficiency measures to boost labour productivity. In other words, it creates more goods with the same amount of labour, ensuring optimised use of resources to bring down costs. Lowering costs can help the business boost its profit margins.

**3. Profit Objectives**

Companies that have profit objectives want to boost their overall profits. Profit objectives are generally accompanied by revenue and cost objectives. Companies can aim to achieve a rise in profit in absolute terms or simply boost their rate of profitability by achieving a certain profit margin. Some may simply focus on profit maximisation at all costs, while others may want to exceed industry or market standards of profit by generating higher gross profit than their competitors.

**4. Cash flow )bjectives**

Cash flow refers to the net cash transferred in and out of a business. A positive cash flow is essential to attain any of the other objectives. Cash flow objectives are common among small businesses and start-ups that are not yet profitable. To boost cash flow, businesses may aim to reduce borrowings, reduce inventory and cash tied up in receivables, and boost cash flow to profit percentages.

**5. Capital Structure Objectives**

Capital structure refers to the mix of different funding sources, including equity and debt, used to finance its operations. In other words, it relates to how much of the company's capital comes from equity shares and how much comes from debt financing. Businesses generally have two primary capital structure objectives vis-a-vis the gearing ratio and the debt-to-equity ratio.

**6. Return on investment objectives**

These financial objectives correlate to the return the business makes on its investment. The return on investment objective is usually set as a percentage of return that's calculated by dividing the operating profit by the amount of capital invested.

**Benefits of Financial Objectives**

- Clearly defines what the business wants to achieve financially
- Improves decision-making and helps measure performance
- Act as milestones to track business progress
- Help teams focus efforts on achieving common goals

**How to set financial objectives?**

Businesses can implement the following steps to set clear and achievable financial objectives:

**1. Specify your financial objectives**

Setting specific goals is all about timing your objectives. If you aim to increase revenue, set a deadline for the same.

**2. Set deadlines**

Setting specific goals is all about timing your objectives. If you aim to increase revenue, set a deadline for the same. In this case, your financial objective may look like: ‘increase revenue by 4% over the next quarter’ or ‘increase revenue by 12% Y-o-Y’.

### 3. Create an action plan

Once you have your financial objectives outlined and timed, you must start drafting a plan of action. This plan helps ensure that necessary action is taken to achieve the desired outcome. For instance, if your financial objective is increasing revenue by 12% over the next year, create a plan of action for boosting sales, funding marketing campaigns, reducing costs, etc. Essentially, the action plan helps you figure out 'how' you are going to achieve the set goal.

### 4. Set a budget

Tracking your expenses and having a definite budget in place is crucial when outlining the financial objectives of your business. Knowing where your funds are going will help you better allocate these funds. Budgeting expenses also helps in efficiently using funds for the purpose of achieving financial goals as well as understanding how much money is needed to achieve a particular financial objective.

### 5. Adjust when needed

Business owners must remember that financial objectives are not set in stone. Remaining flexible is key to a sound strategy. You should avoid getting caught up in rigid and predetermined goals. Remember that your financial objectives can require adjusting or changes due to unexpected circumstances. Incorporating flexibility into financial objective planning is crucial for businesses to remain competitive in the present landscape.

**Strategic Objectives vs. Financial Objectives**

| Strategic Objectives | Financial Objectives |
|---|---|
| • Goals set by a business to achieve long-term vision and competitive advantage. These focus on positioning, market strategy, customer satisfaction, innovation, and overall business direction | • Goals set by a business for its financial success and growth. These focus on measurable financial performance like revenue, profit, costs, cash flow, and return on investment. |
| • Long-term, usually 5–10 years | • Short-term, usually 2–3 years |
| • Broad | • Limited and specific |
| • Guides long-term decision-making and overall business growth<br>• Helps maintain competitive advantage<br>• Aligns company resources with market opportunities<br>• Ensures business adapts to external changes | • Provides direction for financial operations<br>• Helps with financial planning<br>• Improves resource allocation<br>• Acts as a measurable indicator of success |
| • Harder to measure quantitatively<br>• May require more resources and time to implement<br>• Risk of being too broad or unrealistic<br>• Strategic changes may take years to show results | • May encourage short-term thinking over long-term growth<br>• Can neglect non-financial factors like customer satisfaction<br>• Focus on numbers may ignore market changes or competitive dynamics |
| • Market position, innovation, competitive advantage, customer satisfaction, brand reputation | • Profitability, cost control, revenue growth, cash flow, ROI |

<u>**Application**</u>

**Title**: Distinguishing Strategic and Financial Goals

**Task**: For the same organization:

1.Identify 2 strategic objectives (long-term non-financial goals).

2.Identify 2 financial objectives (quantitative goals related to revenue, profit, or cost).

3.Explain how strategic objectives support financial objectives.

**Closure**

Well done! You just finished the last lesson of Module 2. If you are ready to proceed, the next module will discuss about the “The External Environmental Analysis”.

## Module Assessment

The module assessment for Module 2 will consist of multiple-choice questions and short answer questions. This assessment aims to evaluate students' understanding of the key concepts covered in the module's lessons.

**Part 1. Multiple- Choice Questions**

1. What is a strategic vision?

A. A statement of past achievements
B. A roadmap of where the company is headed
C. A list of daily operations
D. A financial report

2. Which of the following best describes a good strategic vision?

A. Short-term and vague
B. Detailed and fixed
C. Clear, inspiring, and future-oriented
D. Focused only on profits

3. What does a mission statement primarily define?

A. Future goals
B. Company's purpose and reason for existence
C. Financial targets
D. Competitor strategies

4. Which question does a mission statement answer?

A. Where are we going?
B. How much profit will we earn?
C. What business are we in?
D. Who are our competitors?

5. What is the main purpose of setting performance objectives?

A. To eliminate competition
B. To provide direction and measurable targets
C. To reduce costs only
D. To avoid risks

6. Which of the following is an example of a SMART objective?

A. Increase sales someday
B. Improve performance
C. Increase sales by 10% within one year
D. Be the best company

7. Performance objectives should be:

A. Vague and general
B. Measurable and time-bound
C. Optional
D. Based on assumptions only

8. Strategic objectives are mainly focused on:
A. Profit margins
B. Market position and long-term growth
C. Daily expenses
D. Accounting procedures

9. Financial objectives typically include:
A. Customer satisfaction
B. Market expansion
C. Revenue and profitability targets
D. Brand recognition

10. What is the key difference between strategic and financial objectives?
A. Strategic objectives are short-term, financial are long-term
B. Strategic objectives focus on performance, financial on employee welfare
C. Strategic objectives focus on competitive position, financial on monetary outcomes
D. There is no difference

**Part 2. Takeaway Short Questions:**

1.How does a strategic vision differ from a strategic mission in guiding an organization's direction?

2.Why is it important to set both performance objectives and strategic objectives in management?

3.How do strategic objectives and financial objectives complement each other in achieving long-term success?

## Module Summary

This module introduces the essential elements that shape an organization's direction, beginning with the strategic vision, which defines the desired future state and long-term aspirations. It highlights how a clear vision guides decision-making and inspires stakeholders. Complementing this is the strategic mission, which explains the organization's present purpose, core activities, and the value it delivers, ensuring that daily operations are aligned with its broader goals.

The module also emphasizes the importance of setting performance objectives, which translate the vision and mission into specific, measurable, and time-bound targets. These objectives provide a clear sense of direction, support effective planning, and enable organizations to monitor progress and maintain accountability across all levels.

Finally, the module distinguishes between strategic objectives and financial objectives, underscoring their complementary roles. Strategic objectives focus on long-term competitiveness and market position, while financial objectives address profitability and financial performance. Balancing these ensures both sustainable growth and immediate organizational success.

## References

Barney, J. B., & Hesterly, W. S. (2019). *Strategic management and competitive advantage: Concepts and cases* (6th ed.). Pearson.

David, F. R., David, F. R., & David, M. E. (2020). *Strategic management: A competitive advantage approach, concepts and cases* (17th ed.). Pearson.

Hermawan, H., Ibrahim, S., Augustriandi, A., & Pahala, I. (2025). *Strategic analysis of the organization's vision and mission in improving company performance and competitiveness*. Jurnal Informatika Ekonomi Bisnis. https://doi.org/10.37034/infeb.v7i2.1149

## MODULE 3: THE EXTERNAL ENVIRONMENTAL ANALYSIS

### Module Overview

This module introduces students to the analysis of the external environment in which organizations operate. It focuses on identifying external factors, industry forces, and competitive conditions that influence strategic decisions. By understanding these external elements, students will be able to assess opportunities and threats that affect organizational performance and long-term sustainability.

This module equips learners with essential analytical tools used in strategic management to evaluate industries, competitors, and macro-environmental forces.

### Module Objectives/Outcomes

At the end of Module 3, you will be able to:

a. Explain the importance of external environmental analysis in strategic management;
b. Analyze industry conditions using appropriate analytical tools;
c. Assess macro-environmental factors affecting organizations;
d. Evaluate competitive positions using structured matrices; and
e. Identify opportunities and threats using external evaluation frameworks.

### Lessons in the Module:

Lesson 1: Industry Analysis and Tools

Lesson 2: PEST/PESTLE /DESTEP Analysis

Lesson 3: Porter's Five Forces Model

Lesson 4: Competitive Profile Matrix

Lesson 5: External Factor Evaluation Matrix

## Lesson 1: Industry Analysis and Tools

### Learning Outcomes

At the end of this lesson, you will be able to:

a) Identify and explain the concept of industry analysis as part of external assessment;
b) Apply industry analysis tools to examine external and competitive environments;
c) Analyze industry forces and external factors affecting organizational performance;
d) Evaluate the strengths and limitations of key industry analysis tools; and
e) Interpret external analysis results and justify strategic decisions based on these tools.

### Time Frame: Week 5

### Introduction

In this module, students will explore industry analysis as a core component of external assessment. Industry analysis enables organizations to understand forces outside the firm that influence performance, competitiveness, and long-term sustainability. These forces include macro-environmental conditions, competitive pressures, and industry dynamics.

The lesson focuses on essential industry analysis and external assessment tools, namely PEST/PESTLE/DESTEP Analysis, Porter's Five Forces Model, Competitive Profile Matrix (CPM), and the External Factor Evaluation (EFE) Matrix. Through discussions, examples, and group activities, students will learn how these tools help managers evaluate opportunities and threats and support sound strategic decision making.

### Activity

**Title:** ***Industry and External Assessment Simulation***

**Objective:**

To help students apply industry analysis and external assessment tools in evaluating real-world business environments.

**Materials Needed:**

- Ballpen
- Piece of paper

**Duration**: 30 minutes

## Analysis

### Group Formation Dynamics

Divide the class into small groups of 8–10 students. Each group will act as a management team conducting an external assessment of a specific industry. Assign each group one industry, such as:

- Fast food industry
- Smartphone manufacturing industry
- Retail clothing industry
- Ride-hailing or delivery service industry

Each group will identify key external factors, industry forces, and major competitors using the assigned analysis tools.

### Presentation

Each group presents their industry overview, key external issues, applied tool, and strategic implications. Other students are encouraged to ask questions and provide feedback.

## Abstraction

### What is Industry Analysis?

Industry analysis is a systematic examination of an industry's external environment to understand competitive conditions, market forces, and external influences. It forms part of external assessment and helps organizations identify opportunities and threats that exist outside the firm. Industry analysis supports strategic planning by enabling managers to anticipate changes and respond effectively to industry pressures.

### Definition

Industry analysis refers to the process of evaluating external environmental factors and competitive forces that affect firms within an industry. It provides insights into industry attractiveness, competitive intensity, and strategic positioning.

### Key Features of Industry Analysis

1. **External Orientation:**

Industry analysis focuses on factors outside the organization, including competitors, customers, suppliers, and the broader environment.

2. **Competitive Emphasis:**
   It examines the nature and intensity of competition within an industry.
3. **Environmental Awareness:**
   Industry analysis considers political, economic, social, and technological influences affecting business operations.
4. **Strategic Relevance:**
   Findings are used to support strategy formulation and decision making.

**Nature of Industry Analysis**

1. **Analytical:**
   Industry analysis relies on structured tools and logical evaluation of data.
2. **Dynamic:**
   Industries change over time due to innovation, regulation, and market shifts.
3. **Situational:**
   Results vary depending on the industry, country, and time period analyzed.
4. **Decision-Oriented:**
   The primary goal is to guide managerial and strategic decisions.

**Importance of Industry Analysis**

1. **Identifying Opportunities and Threats:**
   Helps firms recognize favorable conditions and potential risks in the external environment.
2. **Understanding Competitive Forces:**
   Provides insight into how industry forces affect prof environment.
3. **Supporting Strategic Choices:**
   Assists management in deciding market entry, expansion, or competitive strategies.
4. **Reducing Uncertainty:**
   Improves the quality of decisions by using systematic analysis rather than guesswork.

**Scope of Industry Analysis**

Industry analysis generally includes:

1. Macro-environmental factors
2. Industry competitive forces
3. Competitor comparison
4. Evaluation of external opportunities and threats

**Industry Analysis and External Assessment Tools**

1. **PEST / PESTLE / DESTEP Analysis**

   These tools analyze the macro-environment affecting an industry.
   • Political
   • Economic
   • Social
   • Technological
   • Legal
   • Environmental
   (Different models include or exclude certain factors, but the purpose remains the same.

2. **Porter's Five Forces Model**

   This model analyzes industry competitiveness through:

   • Competitive rivalry

   • Threat of new entrants

   • Bargaining power of buyers

   • Bargaining power of suppliers

   • Threat of substitute products

3. **Competitive Profile Matrix (CPM)**

   The CPM compares a firm with its major competitors based on critical success factors. It helps identify relative strengths and weaknesses within an industry.

4. **External Factor Evaluation (EFE) Matrix**

   The EFE Matrix summarizes key external opportunities and threats and evaluates how effectively a firm responds to these factors. It assigns weights and ratings to external factors to support strategic evaluation.

**The Industry Analysis Process**

**Stages in the Industry Analysis Process**

a) **Observation**
   The analyst identifies important external trends or industry issues, such as increased competition or regulatory changes.
b) **Definition of the Problem**
   The external challenge or opportunity is clearly defined, including its impact on the industry and firm.
c) **Tool Application and Analysis**
   Appropriate tools such as PESTLE, Porter's Five Forces, CPM, or EFE Matrix are applied to analyze the situation.

**Example Problem**

A company plans to enter the milk tea industry, which shows rapid growth, strong competition, and changing consumer preferences.

Sample Analysis

Using Porter's Five Forces:

- Competitive rivalry: High
- Threat of new entrants: Moderate
- Bargaining power of buyers: High
- Bargaining power of suppliers: Low
- Threat of substitutes: High

**Model Solution and Interpretation**

The analysis indicates that the industry is highly competitive. A new entrant must rely on differentiation, strong branding, or cost control to succeed.

**Implementation**

Results from industry and external assessment tools are used to guide strategic decisions such as market entry, competitive positioning, or strategic partnerships.

**Uses of Industry Analysis in Business**

Industry analysis is applied in:

- External assessment
- Strategy formulation
- Competitive analysis
- Market entry decisions
- Risk evaluation

## Application

**Short Answer Questions**

1. Give an example of an industry where PESTLE analysis would be useful.
2. Explain how the Competitive Profile Matrix helps firms understand their competitors.

## Closure

Well done! You now understand how industry analysis and external assessment tools help organizations evaluate their environment and competitive position. This prepares you for deeper discussions on strategy formulation and decision making in the next lesson.

## Lesson 2: PEST/PESTLE/DESTEP Analysis

### Learning Outcomes

At the end of this lesson, you will be able to:

a) Explain the importance of environmental scanning in strategic management
b) Identify and describe the key factors included in PEST, PESTLE, and DESTEP analysis
c) Differentiate between the three frameworks
d) Determine which analysis tool is most appropriate for specific organizational

### Time Frame: Week 5

### Introduction

In strategic management, understanding the external environment is critical for an organization's success. Factors beyond a company's control—such as government policies, economic conditions, or technological innovations—can significantly impact performance, decision-making, and long-term plans. To systematically assess these macro-environmental influences, managers use structured frameworks like PEST, PESTLE, and DESTEP analyses. This module will explore each tool in detail, their components, and how they support effective strategic planning.

### Activity

**Group Task**

1. Divide into three groups, with each group assigned one framework (PEST, PESTLE, or DESTEP)
2. Choose a local business in Davao City (e.g., a retail store, restaurant, or manufacturing company)
3. For your assigned framework, list the relevant factors that would affect the business and provide one specific example for each factor
4. Create a 5-minute presentation that outlines your analysis and explains why your framework is suitable for that business.

### Abstraction

Environmental scanning is an important part of strategic management. It helps organizations understand external factors that may affect their performance, decisions, and long-term plans. Three commonly used tools for this purpose are PEST, PESTLE, and DESTEP analysis. These frameworks focus on macro-environmental factors that are usually beyond the control of an organization but can strongly influence success or failure.

**PEST Analysis** examines four major external factors: Political, Economic, Social, and Technological.

1. **Political Factors:** Include government policies, laws, regulations, taxation, trade restrictions, and political stability. These factors can affect how businesses operate and make decisions. For example, changes in labor laws or government support programs can influence business costs and operations.
2. **Economic Factors:** Refer to economic conditions such as inflation, interest rates, unemployment, exchange rates, and economic growth. These factors affect consumer purchasing power and business profitability. A strong economy usually leads to higher demand for goods and services.
3. **Social Factors:** Include population growth, age distribution, lifestyle trends, culture, education levels, and consumer behavior. Understanding social changes helps organizations adjust their products or services to meet customer needs.
4. **Technological Factors:** Involve innovations, automation, research and development, and technological change. New technology can improve efficiency but may also increase competition or require additional investment.

**PESTLE Analysis** is an expanded version of PEST analysis. It includes two additional factors: Legal and Environmental.

1. **Legal Factors**: Refer to laws and regulations that organizations must follow. These include employment laws, consumer protection laws, health and safety regulations, and intellectual property rights. Failure to comply with legal requirements may result in penalties or legal action.
2. **Environmental Factors:** Focus on ecological and environmental issues such as climate change, pollution, waste management, and sustainability. Many organizations now consider environmental responsibility important for reputation and long-term success.

**DESTEP Analysis** is similar to PESTLE but uses a slightly different classification. It stands for Demographic, Economic, Social, Technological, Ecological, and Political factors.

1. **Demographic Factors -** include population size, age structure, gender, income levels, and education. These factors help organizations identify target markets and predict future demand.
2. **Economic Factors -** refer to conditions like inflation, interest rates, unemployment, exchange rates, and economic growth. They affect consumer purchasing power and business profitability—for example, a growing economy in Davao City boosts demand, while high inflation raises costs.
3. **Social Factors -** cover population trends, age distribution, lifestyles, culture, education, and consumer behavior. For instance, rising health consciousness in Davao may push businesses to adapt their offerings to match community needs.

4. **Technological Factors** - involve innovations, automation, R&D, and tech changes. New tools like digital payment systems in Davao can improve efficiency but may require investment in infrastructure or training.
5. **Ecological Factors -** focus on environmental protection, natural resources, and environmental laws. Organizations must consider how their activities affect the environment and how environmental issues may affect operations.
6. **Political Factors** - include government policies, laws, taxes, trade rules, and stability. Local regulations in Davao or national policies shape operational costs and investor confidence, determining the business environment.

**Comparison of PEST, PESTLE, and DESTEP**

All three tools are used to analyze the external environment. **PEST** is the simplest and focuses on four key areas. **PESTLE** adds legal and environmental factors for a more detailed analysis. **DESTEP** offers a similar level of detail but emphasizes demographic and ecological factors separately. The choice of framework depends on the organization's needs and the level of analysis required.

## Application

Short Answer Question

1. What is the main distinction between PESTLE and DESTEP analysis, and in what scenario would an organization prefer to use DESTEP over PESTLE?

## Closure

PEST, PESTLE, and DESTEP analyses provide structured ways to make sense of the complex external factors that shape business operations. By mastering these tools, managers can develop more informed strategies that align with current and future environmental conditions. As the business landscape continues to evolve, regular application of these frameworks will help organizations stay agile and competitive.

## Lesson 3: Porte’s Five Forces Model

### Lesson Overview

Porter's Five Forces framework, developed by Michael Porter (1980), analyzes industry competitiveness to predict profitability. This lesson defines each force, explores threats with examples, and introduces mitigation basics. Use it to evaluate markets like retail, crypto, or nutraceuticals.

### Learning Outcomes

At the end of this lesson, you will be able to:

a) Explain the concept and purpose of Porter’s Five Forces Model in strategic management;
b) Identify and describe the five competitive forces that shape industry competition;
c) Analyze the level of competition and profitability within an industry using the model;
d) Apply Porter’s Five Forces Model to real-world business situations; and
e) Evaluate the implications of competitive forces on strategic decision-making.

### Time Frame: Week 6

### Introduction

In strategic management, understanding the competitive environment of an industry is essential for formulating effective strategies. Firms do not operate in isolation; instead, they face constant pressure from competitors, customers, suppliers, substitute products, and potential new entrants. These forces collectively influence industry profitability and long-term sustainability.

One of the most widely used frameworks for analyzing industry competition is **Porter’s Five Forces Model**, developed by Michael E. Porter. This model provides a systematic way to assess the intensity of competition and identify the underlying factors that shape an industry’s structure. By examining these forces, managers can better understand why some industries are more profitable than others and how firms can position themselves strategically.

This lesson explores the five forces that determine competitive intensity within an industry. Through discussion, activities, and examples, students will learn how to use Porter’s Five Forces Model as a tool for external environmental analysis and strategic planning.

## Activity

**Title:** ***Industry Competition Mapping***
**Objective:**
To help students understand how the five competitive forces affect industry structure and business profitability.

**Group Formation:**
Divide the class into 4–5 groups.

**Instructions:**

1. **Industry Selection:** Each group will select one industry (e.g., food and beverage, retail, telecommunications, transportation).
2. **Force Identification:** Groups will analyze the industry using Porter's Five Forces Model by examining:
   - Threat of New Entrants
   - Bargaining Power of Suppliers
   - Bargaining Power of Buyers
   - Threat of Substitute Products or Services
   - Competitive Rivalry among Existing Firms
3. **Assessment:** Groups will classify each force as **Low**, **Moderate**, or **High**, and provide brief justifications.
4. **Reporting:** Each group will present their analysis to the class.

## Analysis

Based on the activity, groups should:

- Explain how each of the five forces affects the chosen industry;
- Identify which force has the strongest influence on industry competition;
- Discuss how the combined effect of the five forces impacts industry profitability; and
- Suggest strategic actions firms may take in response to strong competitive forces.

## Abstraction

### What is Porter's Five Forces Model?

Porter's Five Forces Model is a strategic framework used to analyze the competitive structure of an industry. It examines five key forces that influence competition and profitability, helping firms understand external pressures that affect strategic choices.

### The Five Competitive Forces

1. **Threat of New Entrants**
   This force refers to the ease with which new competitors can enter an industry. When entry barriers such as high capital requirements, strong brand loyalty, economies of scale, and government regulations are low, new firms can easily enter the market, increasing competition and reducing profitability.

2. **Bargaining Power of Suppliers**
   Supplier power reflects the ability of suppliers to influence input prices and quality. When suppliers are few, offer unique products, or have strong control over resources, they can demand higher prices, increasing costs for firms in the industry.

3. **Bargaining Power of Buyers**
   Buyer power refers to the ability of customers to influence prices and product quality. Buyers have strong power when they have many alternatives, purchase in large volumes, or can easily switch to competitors.

4. **Threat of Substitute Products or Services**
   Substitutes are alternative products that satisfy the same customer needs. The availability of substitutes limits the prices firms can charge and reduces profitability, especially when substitutes are easily accessible and affordable.

5. **Competitive Rivalry among Existing Firms**
   Competitive rivalry refers to the intensity of competition among firms within the industry. High rivalry is characterized by price wars, frequent promotions, aggressive advertising, and rapid innovation. Factors such as many competitors, slow industry growth, and low product differentiation increase rivalry.

### Strategic Implications

The combined strength of these five forces determines the overall attractiveness and profitability of an industry. When forces are strong, competition is intense and profit potential is low. When forces are weak, firms have greater opportunities to achieve sustainable competitive advantage.

## Application

Short Answer Questions

1. Explain the purpose of Porter's Five Forces Model in strategic management.
2. Describe each of the five forces and how they affect industry competition.
3. Why is the threat of substitutes important in determining industry profitability?
4. How can firms reduce the impact of strong competitive rivalry?
5. Apply Porter's Five Forces Model to a local or familiar industry and summarize your analysis.

## Closure

Congratulations! You have completed Lesson 3 on **Porter's Five Forces Model**. This lesson emphasized the importance of understanding industry competition and the forces that influence business performance. In the next lesson, you will examine the **Competitive Profile Matrix (CPM)**, which focuses on comparing firms directly within the same industry.

| Lesson 4: | Competitive Profile Matrix |
|---|---|

## Learning Outcomes

At the end of this lesson, you will be able to:

a) Define and explain the concept of the Competitive Profile Matrix (CPM) as a strategic management tool;
b) Identify and describe the key components of the Competitive Profile Matrix, including critical success factors, weights, ratings, and weighted scores;
c) Analyze a firm's competitive position relative to its major competitors using the CPM;
d) Interpret CPM results to determine competitive strengths and weaknesses within an industry; and
e) Evaluate the usefulness and limitations of the Competitive Profile Matrix in strategic decision-making.

## Time Frame: Week 6

## Introduction

In today's highly competitive business environment, organizations must continuously assess their position relative to their competitors in order to survive and grow. Understanding how a firm compares with its rivals in terms of critical success factors is essential for developing effective strategies. One of the strategic management tools designed for this purpose is the Competitive Profile Matrix (CPM).

The Competitive Profile Matrix allows firms to systematically compare their performance with that of key competitors based on factors that are critical to success within an industry. Unlike general environmental scanning tools, the CPM focuses specifically on competitive forces at the industry level, providing managers with a clear picture of where a firm stands in relation to its rivals.

This lesson explores the concept, structure, and application of the Competitive Profile Matrix. It discusses how CPM can be used to identify competitive strengths and weaknesses, guide strategic planning, and support informed managerial decisions. By understanding CPM, students will gain practical insights into competitive analysis and strategic evaluation.

## Activity

**Title:** ***Identifying Competitive Strengths and Weaknesses***

**Objective:** To help students understand how the Competitive Profile Matrix identifies and compares the strengths and weaknesses of competing firms within the same industry.

**Group Formation:** Divide the class into groups of 3–5 members.

**Instructions**:

1. **Industry Selection:**
   - Each group will select an industry (e.g., food manufacturing, retail, telecommunications).

2. **Company Identification:**
   - Identify one focal firm and at least two major competitors within the chosen industry.

3. **CPM Construction:**

Each group will develop a Competitive Profile Matrix by:
   - Identifying relevant critical success factors;
   - Assigning appropriate weights to each factor;
   - Rating each firm based on performance; and
   - Computing weighted scores and total scores.

4. **Presentation**:

Groups will present their CPM results and explain their interpretation.

## Analysis

Based on the activity above, groups should analyze the following:
- Explain the selected critical success factors and their relevance to the industry;
- Compare the competitive strengths and weaknesses of the firms using CPM results;
- Discuss how the CPM results can influence strategic decisions; and
- Identify areas where the focal firm can improve its competitive position.

## Abstraction

### What is Competitive Profile Matrix (CPM)?

**Competitive Profile Matrix (CPM)** is a strategic management tool used to evaluate and compare a firm's competitive position relative to its major competitors within the same industry. It provides a structured and systematic approach to analyzing competitive strengths and weaknesses by focusing on **critical success factors (CSFs)** that significantly influence industry performance.

Unlike general environmental analysis tools such as PESTLE or EFE Matrix, which focus on broad external factors, the CPM concentrates on direct competition at the industry level. It enables organizations to assess how effectively they are competing against rivals in areas that matter most to customers and overall market success.

The CPM is particularly useful in industries characterized by intense competition, where small differences in performance can have a significant impact on market share, profitability, and long-term sustainability.

### Conceptual Foundation of the Competitive Profile Matrix

The theoretical foundation of the Competitive Profile Matrix is rooted in competitive strategy theory, which emphasizes the importance of understanding relative performance rather than absolute performance. According to strategic management scholars, firms achieve competitive advantage not merely by performing well, but by performing better than competitors in key strategic areas.

The CPM operationalizes this idea by translating qualitative assessments—such as brand strength or customer service quality—into quantitative scores that allow for comparison across firms. This structured comparison supports strategic decision-making by reducing ambiguity and highlighting priority areas for improvement.

### Key Components of the Competitive Profile Matrix

The CPM consists of four interrelated components that collectively provide a comprehensive picture of a firm's competitive position.

1. **Critical Success Factors (CSFs)**
   Critical success factors are the key variables that determine success in a particular industry. These factors represent the dimensions on which firms compete and are derived from customer preferences, industry standards, and competitive dynamics.

   Examples of critical success factors include:
   - Product quality and reliability
   - Price competitiveness
   - Brand reputation and customer loyalty
   - Distribution network and market coverage
   - Innovation and technological capability
   - Customer service and after-sales support

   The identification of appropriate CSFs is a crucial step in CPM construction, as inaccurate or incomplete factors may lead to misleading conclusions.

2. **Weights**

   Each critical success factor is assigned a weight ranging from 0.00 to 1.00, indicating its relative importance within the industry. Weights reflect how strongly each factor influences competitive success and customer decision-making.

   A higher weight signifies greater importance, while a lower weight indicates a lesser impact. The sum of all weights must always equal **1.00**, ensuring proportional representation of all factors.

For instance, in the food manufacturing industry, product quality and food safety may receive higher weights compared to promotional activities, reflecting their greater influence on consumer trust and purchase behavior.

3. **Ratings**

   Ratings indicate how well each firm performs in relation to its competitors for each critical success factor. The standard CPM rating scale ranges from 1 to 4, where:
   1) 1 = Major weakness
   2) 2 = Minor weakness
   3) 3 = Minor strength
   4) 4 = Major strength

   Unlike weights, which are industry-based, ratings are company-specific. They are assigned based on relative performance, not on internal standards alone. This ensures that firms are evaluated within the context of competitive rivalry.

4. **Weighted Scores and Total Weighted Score**

   The weighted score for each factor is calculated by multiplying the weight by the rating. These weighted scores are then summed to obtain the **total weighted score** for each firm.

   The total weighted score provides an overall measure of a firm's competitive strength relative to its rivals. While higher scores indicate stronger competitive positions, the CPM is best used as a **comparative tool** rather than an absolute performance indicator.

**Interpretation and Strategic Implications of CPM Results**

The interpretation of CPM results extends beyond identifying the firm with the highest total score. More importantly, the CPM reveals specific areas of competitive advantage and disadvantage.

For example, a firm may achieve a high total score due to strong brand reputation but may score poorly in pricing or distribution. This insight allows managers to:

- Reinforce existing strengths;
- Address weaknesses that limit competitiveness; and
- Align strategic initiatives with industry realities.

The CPM supports strategic choices such as market positioning, differentiation, cost leadership, and resource allocation by providing a clearer understanding of competitive dynamics.

A higher total weighted score suggests a stronger competitive position within the industry. However, the CPM does not identify a "winner" or "loser"; rather, it highlights relative strengths and weaknesses that can guide strategic improvements.

**Example: Competitive Profile Matrix for a Local Food Industry**

To better understand how the Competitive Profile Matrix (CPM) works, consider a simple example involving three competing bottled sauce brands operating in the same local market:

- **Company A:** Local Spice Sauce
- **Company B:** Fiesta Flavors
- **Company C:** Mama's Best Sauce

These companies compete in the same industry and target similar customers.

**1. Identify Critical Success Factors**

Based on industry conditions and consumer preferences, the following critical success factors were identified:

- Product Quality
- Price Competitiveness
- Brand Reputation
- Distribution Network
- Customer Loyalty

**2. Assign Weights**

| Critical Success Factors | Weight |
|---|---|
| Product Quality | 0.30 |
| Price Competitiveness | 0.20 |
| Brand Reputation | 0.20 |
| Distribution Network | 0.15 |
| Customer Loyalty | 0.15 |
| **Total** | **1.00** |

**3. Assign Ratings**

Each company is rated from **1 to 4** based on performance relative to competitors:

- 1 – Major weakness
- 2 – Minor weakness
- 3 – Minor strength
- 4 – Major strength

**4. Compute the CPM**

| Critical Success Factors | Weight | Company A | Company B | Company C |
|---|---|---|---|---|
| Product Quality | 0.30 | 4 | 3 | 3 |
| Price Competitiveness | 0.20 | 3 | 4 | 2 |
| Brand Reputation | 0.20 | 3 | 3 | 4 |
| Distribution Network | 0.15 | 2 | 4 | 3 |
| Customer Loyalty | 0.15 | 3 | 3 | 4 |

**5. Calculate Weighted Scores**

**(Weight x Rating)**

| Company | Total Weighted Score |
|---|---|
| Company A | 3.10 |
| Company B | 3.45 |
| Company C | 3.20 |

**Interpretation of Results**

Based on the CPM results, **Company B** has the highest total weighted score, indicating the strongest competitive position among the three firms. This strength is mainly due to its competitive pricing and strong distribution network.

**Company A** demonstrates strong product quality but has weaknesses in distribution, which limits its market reach.
**Company C** shows strong brand reputation and customer loyalty but faces challenges in price competitiveness.

This example illustrates how the Competitive Profile Matrix helps managers:

- Compare firms objectively;
- Identify specific strengths and weaknesses; and
- Use competitive insights to guide strategic decisions.

**Role of CPM in Strategic Planning**

In strategic planning, the CPM serves as an analytical input for strategy formulation. It helps managers:

- Identify strategic gaps relative to competitors;
- Prioritize improvement efforts; and
- Evaluate whether current strategies are effective in maintaining competitive advantage.

The CPM is often used alongside other strategic tools such as Porter's Five Forces Model, SWOT Analysis, and the External Factor Evaluation (EFE) Matrix to ensure a comprehensive assessment of both external pressures and competitive positioning.

**Limitations and Considerations in Using CPM**

Despite its practical value, the Competitive Profile Matrix has inherent limitations. The identification of critical success factors, assignment of weights, and allocation of ratings involve managerial judgment, which may introduce bias or subjectivity.

Additionally, the CPM provides a **static snapshot** of competitive conditions at a given point in time and may not fully capture rapid changes in market dynamics. Therefore, it should be updated regularly and used in conjunction with other strategic analysis tools for more robust decision-making.

## Application

1. Explain the purpose of the Competitive Profile Matrix in strategic management.
2. Identify and describe the main components of a Competitive Profile Matrix.
3. How does the CPM help managers identify competitive strengths and weaknesses?
4. Discuss the limitations of the Competitive Profile Matrix.
5. Apply the CPM to a real or hypothetical company and interpret the results.

## Closure

Well done! You have completed the lesson on the **Competitive Profile Matrix**, a key tool in external environmental analysis. This lesson highlighted how firms can evaluate their competitive position within an industry and use the results to support strategic decision-making. In the next lesson, you will explore the **External Factor Evaluation (EFE) Matrix**, which focuses on opportunities and threats in the external environment.

## Lesson 5: External Factor Evaluation Matrix

### Learning Outcomes

At the end of this lesson, you will be able to:

a) Define and explain the concept of the External Factor Evaluation (EFE) Matrix;
b) Identify and classify external opportunities and threats affecting an organization;
c) Construct an External Factor Evaluation Matrix using appropriate weights and ratings;
d) Interpret EFE Matrix results to assess a firm's external strategic position; and
e) Evaluate the usefulness of the EFE Matrix in strategic management and decision-making.

### Time Frame: Week 6

### Introduction

Organizations operate within a dynamic external environment that continuously presents both opportunities and threats. Factors such as economic conditions, technological advancements, government regulations, and competitive pressures can significantly influence organizational performance. Because these factors are largely beyond managerial control, firms must systematically analyze and respond to them in order to remain competitive.

One strategic management tool designed for this purpose is the **External Factor Evaluation (EFE) Matrix**. The EFE Matrix enables organizations to evaluate how effectively they are responding to key external forces by identifying major opportunities and threats and assigning corresponding weights and ratings. This structured approach allows managers to assess whether current strategies are aligned with environmental conditions.

This lesson introduces the External Factor Evaluation Matrix as a vital component of external environmental analysis. Through activities and practical applications, students will learn how to construct and interpret an EFE Matrix and understand its role in strategic planning.

## Activity

**Title:** ***Identifying External Opportunities and Threats***

**Objective:**

To help students recognize external environmental factors and understand how these factors influence organizational strategy.

**Group Formation:**
Divide the class into 4–5 groups.

**Instructions:**

1. **Business Scenario:** Each group will be given a brief description of a business or industry (e.g., local retail store, food manufacturing firm, transportation service).
2. **Factor Identification:** Groups will identify at least five external opportunities and five external threats affecting the business.
3. **Classification:** Groups will classify each factor as either an opportunity or a threat and briefly explain its potential impact.
4. **Sharing:** Groups will present their identified opportunities and threats to the class.

## Analysis

Based on the activity above, groups should analyze the following:

- Explain why the identified factors are considered opportunities or threats;
- Discuss which external factors have the greatest potential impact on the business;
- Describe how external factors influence strategic decisions; and
- Suggest possible strategic responses to major opportunities and threats.

## Abstract

What is External Factor Evaluation (EFE) Matrix?

External Factor Evaluation (EFE) Matrix is a strategic management tool used to evaluate an organization's ability to respond to external environmental factors. It summarizes and evaluates key opportunities and threats that arise from the political, economic, social, technological, environmental, and legal environment.

Unlike environmental scanning tools that only identify external factors, the EFE Matrix goes a step further by assessing how well a firm's current strategies are responding to these factors. It provides a quantitative basis for understanding the organization's external strategic position.

**Components of the EFE Matrix**

1. **External Factors (Opportunities and Threats)**
   External factors are conditions or trends outside the organization that can

affect performance. Opportunities are external conditions that can be exploited for advantage, while threats are external conditions that may hinder organizational success.

2. **Weights**
   Each external factor is assigned a weight ranging from 0.00 to 1.00 based on its relative importance. The total weight of all factors must equal 1.00. Weights reflect the potential impact of each factor on organizational success, regardless of whether the factor is an opportunity or a threat.

3. **Ratings**
   Ratings indicate how effectively the firm's current strategies respond to each external factor. Ratings range from 1 to 4:

- 1 – Poor response
- 2 – Average response
- 3 – Above-average response
- 4 – Superior response

4. **Weighted Scores and Total Score**
   The weighted score is obtained by multiplying the weight by the rating for each factor. The total weighted score represents the overall effectiveness of the firm's response to external factors.

### Interpretation of EFE Matrix Results

The average total weighted score for an EFE Matrix is **2.5**. A score above 2.5 indicates that the organization is responding well to external opportunities and threats, while a score below 2.5 suggests that the firm's strategies are not effectively aligned with the external environment.

### Importance of the EFE Matrix in Strategic Management

The EFE Matrix helps managers:

- Systematically evaluate external conditions;
- Identify strategic gaps in responding to environmental changes; and
- Support evidence-based strategic planning.

### Limitations of the EFE Matrix

Although the EFE Matrix provides valuable insights, it relies on managerial judgment in selecting factors and assigning weights and ratings. As a result, subjectivity may influence results. Therefore, the EFE Matrix should be used alongside other strategic tools such as PESTLE Analysis, SWOT Analysis, and the Competitive Profile Matrix.

## Application

**Short Answer Questions**

1. Define the External Factor Evaluation Matrix and explain its purpose.
2. Differentiate between external opportunities and threats.
3. Explain the role of weights and ratings in the EFE Matrix.
4. How can managers use EFE Matrix results in strategic decision-making?

## Closure

Congratulations! You have completed Lesson 5 on the **External Factor Evaluation (EFE) Matrix**. This lesson emphasized the importance of analyzing external opportunities and threats and evaluating how effectively organizations respond to them. In the next stage of strategic analysis, these insights can be combined with internal analysis to formulate effective strategies.

## Module Assessment

The module assessment for Module 3 will consist of multiple-choice questions and short answer questions. This assessment aims to evaluate students' understanding of the key concepts covered in the module's lessons.

**Part 1. Multiple- Choice Questions**

1. What is the primary purpose of industry analysis?
A. To evaluate employee performance
B. To understand the competitive environment and market conditions
C. To determine company salaries
D. To assess internal resources only

2. Which of the following is commonly used as a tool for industry analysis?
A. SWOT Analysis
B. Payroll System
C. Balance Sheet
D. Organizational Chart

3. What does the “P” in PEST analysis stand for?
A. Profit
B. Political
C. Performance
D. Product

4. Which factor is included in PESTLE but not in basic PEST analysis?
A. Economic
B. Social
C. Legal
D. Political

5. Which force refers to the likelihood of new competitors entering the industry?
A. Bargaining power of buyers
B. Threat of new entrants
C. Rivalry among competitors
D. Threat of substitutes

6. In Porter’s Five Forces, what does “bargaining power of suppliers” mean?
A. Suppliers’ ability to influence prices and terms
B. Customers’ ability to negotiate prices
C. Government control over suppliers
D. Internal management decisions

7. What is the main purpose of a Competitive Profile Matrix?
A. To analyze financial statements
B. To compare a firm with its major competitors
C. To track employee productivity

D. To calculate taxes

8. In a CPM, what does a higher weighted score indicate?
A. Lower competitiveness
B. Poor performance
C. Stronger competitive position
D. No difference among firms

9. What does the EFE Matrix primarily evaluate?
A. Internal strengths and weaknesses
B. External opportunities and threats
C. Employee satisfaction
D. Production efficiency

10. In an EFE Matrix, what is the typical rating scale used?
A. 1 to 5
B. 0 to 10
C. 1 to 4
D. 1 to 100

**Part 2. Takeaway Short Questions:**

1. How do industry analysis and tools help organizations understand their external environment?
2. What insights can be gained from using PEST/PESTLE/DESTEP, Porter's Five Forces, CPM, and EFE Matrix in strategic decision-making?
3. Why is evaluating external opportunities and threats important for gaining competitive advantage?

**References**

David, F. R., David, F. R., & David, M. E. (2020). Strategic management: A competitive advantage approach, concepts and cases (17th ed.). Pearson Education.

Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2020). *Strategic Management: Competitiveness and Globalization* (13th ed.). Cengage Learning.

Grant, R. M. (2019). *Contemporary Strategy Analysis* (10th ed.). Wiley.

Pearce, J. A., & Robinson, R. B. (2020). *Strategic Management: Planning for Domestic & Global Competition* (14th ed.). McGraw-Hill Education.

# MODULE 4: THE INTERNAL ENVIRONMENTAL ANALYSIS

## Module Overview

This module provides students with a comprehensive understanding of internal environmental analysis as a critical component of strategic management. The module is designed to equip students with the tools and frameworks needed to assess an organization's internal strengths and weaknesses, evaluate performance, and support effective strategic decision-making.

This module serves as a foundation for understanding how internal organizational factors influence strategy formulation and competitive advantage, preparing students for more advanced strategic analysis and planning.

## Module Objectives/Outcomes

At the end of Module 4, you will be able to:

a. Understand the concept and importance of Internal Environmental Analysis.
b. Explain and apply Key Performance Indicators (KPIs) in evaluating performance.
c. Conduct SWOT, GAP, and VRIO analyses for internal assessment.
d. Explain the McKinsey 7S Framework and Internal Audit process.
e. Analyze market share, operations, sales, and cost of goods sold.
f. Understand and apply the Internal Factor Evaluation (IFE) Matrix guidelines.

## Lessons in the Module:

Lesson 1: Key Performance Indicators
Lesson 2: SWOT Analysis/GAP Analysis/
Lesson 3: VRIO Analysis/McKinsey 7S
Lesson 4: The Nature of an Internal Audit
Lesson 5: Market Share, Operations, Sales & Profits, Cost of Goods Sold
Lesson 6: Internal Factor Evaluation (IFE) Matrix Guidelines

| Lesson 1: | Key Performance Indicators (KPI) |
|---|---|

## Learning Outcomes

By the end of this lesson, students will be able to:

a. Explain what Key Performance Indicators (KPIs) are;
b. Identify the different types of KPIs;
c. Describe why KPIs are important in internal environmental analysis;
d. Use KPIs to evaluate internal organizational performance.

## Time Frame: Week 7

## Introduction

Organizations today operate in highly competitive and rapidly changing environments. To remain effective and achieve strategic goals, managers must continuously assess how well their organizations are performing internally. Measuring performance without clear standards and indicators can lead to poor decision-making and misaligned strategies. This is where Key Performance Indicators play a vital role.

Key Performance Indicators are measurable values that show how effectively an organization is achieving its objectives. In strategic management, KPIs help translate vision and strategy into actionable and measurable outcomes. They allow managers to monitor performance, identify problem areas, and implement corrective actions when necessary. Understanding KPIs is essential for evaluating internal organizational performance and supporting sound strategic decisions.

## Activity:

Title: KPI Development Workshop

- Objective: Students will learn how to create measurable and meaningful KPIs for a business scenario.
- Instructions:
    1. Provide students with a sample company profile (e.g., a small café or retail store).
    2. Ask them to identify 3–5 critical business objectives (e.g., increase sales, improve customer satisfaction).
    3. For each objective, develop corresponding KPIs with measurable targets (e.g., monthly sales growth of 10%).
    4. Discuss how these KPIs can be tracked and reported.
- Output: A KPI table linking objectives, indicators, and targets.

## ABSTRACTION

Key Performance Indicators are essential tools in strategic management that translate organizational goals into measurable outcomes. They provide managers with reliable information to evaluate internal performance, identify problem areas, and support evidence-based decision-making. By systematically monitoring KPIs, organizations can improve efficiency, enhance accountability, and align internal operations with strategic objectives.

### Meaning of Key Performance Indicators

Key Performance Indicators (KPIs) are quantifiable measures used to evaluate an organization's success in achieving its strategic and operational goals. They provide objective evidence of performance and help managers determine whether current strategies, processes, and activities are effective.

KPIs are usually aligned with an organization's mission, vision, and strategic objectives. When properly designed, they ensure that day-to-day operations support long-term organizational goals. KPIs can be applied at different levels of the organization, including corporate, departmental, and individual levels.

### Characteristics of Effective KPIs

Effective KPIs possess specific characteristics that make them useful and reliable for performance evaluation. These characteristics are commonly summarized using the **SMART** framework:

- **Specific –** Clearly defined and focused on a particular objective.
- **Measurable –** Quantifiable and based on accurate data.
- **Achievable –** Realistic and attainable within available resources.
- **Relevant –** Directly related to organizational goals.
- **Time-bound –** Measured within a specific period.

KPIs that meet these criteria provide meaningful insights and support effective managerial decision-making.

### Types of Key Performance Indicators

KPIs are commonly classified into **financial and non-financial indicators**, which serve as the foundational types of performance measurement. These may further be grouped into strategic, operational, and leading or lagging indicators depending on managerial purpose and time orientation.

### Financial Key Performance Indicators

Financial KPIs measure an organization's financial performance and economic condition. These indicators are primarily derived from accounting records and financial reports generated by the Accounting Information System (AIS). Financial KPIs are used to assess profitability, efficiency, liquidity, and overall financial health.

Financial KPIs are essential in internal environmental analysis because they reflect how effectively an organization converts resources into financial results.

### Non-Financial Key Performance Indicators

Non-financial KPIs measure performance aspects that are not expressed in monetary terms but significantly influence long-term organizational success. These indicators focus on customers, employees, internal processes, and quality. Although non-financial KPIs are not financial in nature, the data used to measure them are often captured and supported by the Accounting Information System and other information systems.

Non-financial KPIs help managers identify internal strengths and weaknesses that may not immediately appear in financial reports but directly affect future performance.

### Strategic Key Performance Indicators

Strategic KPIs measure progress toward long-term organizational goals and overall strategic objectives. These indicators are primarily used by top management to evaluate whether current strategies are effective and aligned with the organization's mission and vision.

### Operational Key Performance Indicators

Operational KPIs focus on the efficiency and effectiveness of day-to-day internal operations. These indicators are particularly useful in internal environmental analysis because they evaluate how well internal processes are functioning and supporting strategic goals.

### Leading and Lagging Key Performance Indicators

KPIs may also be classified based on timing:

- **Leading KPIs** predict future performance, such as employee engagement or customer inquiries.
- **Lagging KPIs** measure past performance, such as total sales or profit margin.

This classification helps managers monitor current activities while evaluating past results for better decision-making.

### Importance of KPIs in Internal Environmental Analysis

KPIs play a critical role in internal environmental analysis by providing managers with measurable data about organizational performance. Specifically, KPIs help organizations:

- Identify strengths and weaknesses in internal operations
- Monitor efficiency and effectiveness of processes
- Support strategic planning, control, and evaluation
- Detect performance issues early and take corrective action
- Improve accountability and transparency across the organization

By analyzing KPI results, managers gain valuable insights into how well resources and capabilities are utilized, which is crucial for developing effective strategies.

### Example of KPIs

A manufacturing company uses production efficiency, defect rates, and employee attendance rate as key performance indicators. When defect rates increase and efficiency declines, management identifies issues in the production process and provides additional training to employees. As a result, operational performance improves, demonstrating how KPIs support informed decision-making.

## Application

### Case Scenario:

ABC Services Company has experienced declining customer satisfaction and increased employee turnover over the past year. Management is concerned about internal performance and wants to identify the root causes of these issues.

### Guide Questions:

1. Identify at least three appropriate KPIs that ABC Services Company can use to assess its internal performance.
2. Explain how each identified KPI can help management identify performance problems.
3. Discuss how KPIs support strategic decision-making in this scenario.

Students are encouraged to answer in paragraph form and apply the concepts discussed in this lesson.

## Closure

Congratulations students for the job well done! You are now familiar with Key Performance Indicators and their role in internal environmental analysis. You are now ready to proceed to the next lesson, which will discuss other tools used in evaluating an organization's internal environment.

| Lesson 2: | SWOT Analysis and Gap Analysis |
|---|---|

## Learning Outcomes

At the end of this lesson, you will be able to:

a) Define SWOT Analysis and Gap Analysis and explain their importance in strategic planning;
b) Identify internal and external factors affecting organizational performance using SWOT Analysis;
c) Analyze the gap between current performance and desired goals using Gap Analysis; and
d) Propose strategic actions based on the results of SWOT and Gap Analysis.

## Time Frame: Week 7

## Introduction

Organizations operate in environments that are constantly changing due to competition, technological advancements, and shifting customer expectations. To remain effective and competitive, managers and decision-makers must understand both their **current situation** and their **desired future state**.

**SWOT Analysis and Gap Analysis** are two widely used strategic tools that assist organizations in evaluating their position and planning appropriate actions. SWOT Analysis focuses on understanding internal and external factors affecting performance, while Gap Analysis identifies the difference between actual performance and expected outcomes. When used together, these tools provide a structured approach to strategic planning and continuous improvement.

## Activity

Title: SWOT & GAP Case Study

- Objective: Students will conduct a SWOT analysis and identify strategic gaps.
- Instructions:
    1. Provide a case study of a mid-sized business struggling with growth.
    2. Ask students to identify the company's Strengths, Weaknesses, Opportunities, and Threats.
    3. Conduct a GAP analysis by comparing the current state (what the company is doing) vs. desired state (what it should achieve).
    4. Propose strategic actions to bridge the gaps.
- Output: A SWOT matrix with an accompanying GAP analysis summary.

## Abstraction

### SWOT Analysis

SWOT Analysis is a strategic planning tool used to evaluate an organization's internal and external environment.

### Importance of SWOT Analysis

SWOT Analysis plays a critical role in strategic decision-making by helping organizations clearly understand their internal capabilities and external environment. By identifying strengths and weaknesses, organizations can assess what they do well and where improvement is needed. At the same time, recognizing opportunities and threats allows decision-makers to anticipate external conditions that may influence success or failure.

This analysis supports informed decision-making, resource allocation, and the development of competitive strategies. It is commonly used in business planning, marketing strategy, project evaluation, and organizational assessment.

### Importance of Gap Analysis

While SWOT Analysis identifies key influencing factors, Gap Analysis focuses on **performance measurement**. It examines the difference between current performance levels and desired objectives. This gap may arise due to insufficient resources, lack of skills, inefficient processes, or changing market conditions.

Gap Analysis enables organizations to identify areas that require improvement and prioritize actions to achieve strategic goals. It is particularly useful in performance management, quality improvement, and strategic implementation.

### Using SWOT Analysis and Gap Analysis Together

SWOT Analysis and Gap Analysis are most effective when used together. SWOT Analysis helps identify **what factors affect performance**, while Gap Analysis explains **how far the organization is from achieving its goals**.

For example, a weakness identified in SWOT Analysis—such as limited skilled manpower—may result in a performance gap in productivity. By recognizing this connection, organizations can develop targeted strategies such as training programs or recruitment initiatives to close the gap.

Together, these tools provide a comprehensive framework for diagnosing problems, planning improvements, and achieving sustainable success.

**Components of SWOT Analysis:**

1. **Strengths** – Internal capabilities that provide advantage
2. **Weaknesses** – Internal limitations that hinder performance
3. **Opportunities** – External conditions that can be leveraged
4. **Threats** – External challenges that may negatively affect outcomes

## Gap Analysis

Gap Analysis is a method used to determine the difference between **current performance** and **desired performance**.

**Key Elements:**

1. **Current State-** refers to the organization’s present level of performance or condition. It describes what is actually happening now in terms of operations, resources, skills, productivity, or outcomes. Understanding the current state requires accurate data, observation, and performance measurement.
2. **Desired State-** represents the target or goal that the organization aims to achieve in the future. It reflects expected performance levels, standards, or outcomes aligned with the organization’s vision, mission, and strategic objectives.
3. **Gap Identification**- is the process of comparing the current state with the desired state to determine the difference between the two. This gap highlights areas where performance is lacking and identifies what needs to be improved, developed, or changed.
4. **Action Plan-** outlines the specific steps, strategies, and resources required to close the identified gap. It includes timelines, responsibilities, and performance indicators to ensure that improvements are implemented effectively and goals are achieved**.**

## Application

**Short Answer Questions**

1. Discuss why SWOT Analysis is important in strategic planning.
2. Explain how Gap Analysis helps improve organizational performance.
3. Give an example where a weakness identified in SWOT Analysis results in a performance gap.

## Closure

Excellent work! You now understand how **SWOT Analysis and Gap Analysis** work together to evaluate organizational performance and guide strategic decision-making. You are now ready to apply these tools in academic and real-world business settings.

| Lesson 3: | VRIO Analysis and McKinsey 7S Framework |
| --- | --- |

## Learning Outcomes

At the end of this lesson, you will be able to:

a) Define VRIO Analysis and the McKinsey 7S Framework and explain their importance in strategic management;

b) Identify and evaluate organizational resources and capabilities using VRIO Analysis;

c) Analyze organizational alignment and effectiveness using the McKinsey 7S Framework; and

d) Propose strategic actions based on the results of VRIO Analysis and McKinsey 7S analysis.

## Time Frame: Week 7

## Introduction

Organizations must understand not only their external environment but also their internal strengths, resources, and alignment to achieve long-term success. Effective strategy depends on how well an organization utilizes its resources and how well its internal elements work together.

**VRIO Analysis and the McKinsey 7S Framework** are strategic tools that help organizations evaluate internal capabilities and organizational effectiveness. VRIO Analysis focuses on identifying resources that provide competitive advantage, while the McKinsey 7S Framework examines how different organizational elements are aligned to support strategy.

## Activity

**Title: Resource & Strategy Alignment Exercise**

- **Objective:** Students will evaluate resources and organizational alignment to identify competitive advantages.
- **Instructions:**
    1. Provide a scenario of a company entering a new market.
    2. Students perform a VRIO analysis of key resources (Value, Rarity, Imitability, Organization).
    3. Then, evaluate the company's internal alignment using McKinsey 7S (Strategy, Structure, Systems, Shared Values, Skills, Style, Staff).

4. Discuss which resources and structural adjustments give the company a sustainable advantage.

- **Output:** A report linking VRIO findings to the 7S elements.

## Abstraction

### VRIO Analysis

VRIO Analysis is a strategic tool used to evaluate an organization's internal resources and capabilities.

**Components of VRIO Analysis:**

**Value** – Does the resource help the organization exploit opportunities or reduce threats?
**Rarity** – Is the resource controlled by few or no competitors?
**Imitability** – Is the resource difficult or costly to imitate?
**Organization** – Is the organization structured to fully utilize the resource?

Resources that meet all four criteria can provide sustained competitive advantage.

### Importance of VRIO Analysis

VRIO Analysis is a strategic tool used to evaluate an organization's internal resources and capabilities. It helps determine whether these resources can provide a competitive advantage.

The framework analyzes resources based on four criteria: Value, Rarity, Imitability, and Organization. By assessing resources through VRIO, organizations can identify which assets contribute to sustained competitive advantage and which require improvement or better utilization.

VRIO Analysis supports strategic decision-making by guiding leaders on where to invest resources, what to protect, and how to strengthen organizational capabilities.

### McKinsey 7S Framework

The McKinsey 7S Framework analyzes organizational effectiveness through seven interrelated elements:

**Strategy** – The plan designed to achieve competitive advantage

**Structure** – How the organization is arranged

**Systems** – Procedures and processes guiding daily operations

**Shared Values** – Core beliefs and culture of the organization

**Style** – Leadership and management approach

**Staff** – Employees and human resource capabilities

**Skills** – Core competencies and expertise of the organization

All seven elements must be aligned for the organization to perform effectively.

**Importance of the McKinsey 7S Framework**

The McKinsey 7S Framework focuses on organizational alignment. It emphasizes that organizational effectiveness depends on how well seven internal elements work together.

These elements include Strategy, Structure, Systems, Shared Values, Style, Staff, and Skills. The framework helps organizations assess whether their internal components are aligned with their goals and strategies.

This analysis is useful during organizational change, performance improvement, restructuring, and strategic implementation.

**Using VRIO Analysis and McKinsey 7S Together**

VRIO Analysis identifies what resources give an organization strength, while the McKinsey 7S Framework explains how well the organization is structured to use those resources.

For example, a company may have valuable and rare skills (VRIO), but if its systems or structure are weak (7S), those skills may not be fully utilized.

## Application

**Short Answer Questions**

1. Explain why VRIO Analysis is important in identifying competitive advantage.

2. Discuss how the McKinsey 7S Framework helps improve organizational effectiveness.

3. Give an example of a valuable resource that fails to provide advantage due to poor organizational alignment.

## Closure

Congratulation students! You have learned how VRIO Analysis and the McKinsey 7S Framework help organizations evaluate internal resources, alignment, and strategic effectiveness. These tools will support you in analyzing real-world organizations and developing sound strategic recommendations.

| Lesson 4: | The Nature of an Internal Audit |
|---|---|

## Learning Outcomes

By the end of this lesson, students will be able to:

1. Define internal auditing and explain its importance in organizational management.
2. Discuss the objectives and purposes of internal auditing in detail.
3. Describe the scope and key functions of internal audit activities within an organization.
4. Distinguish between internal and external audit, emphasizing their unique roles and reporting structures.
5. Explain the significance of independence and objectivity in ensuring effective and reliable internal auditing.

## Time Frame: Week 8

## Introduction

Organizations today operate in complex environments with numerous risks and challenges. Businesses may face threats such as fraud, errors, inefficient operations, or mismanagement of resources. To address these issues and maintain smooth operations, organizations require a structured evaluation system to monitor processes and identify areas for improvement. This is where internal auditing plays a vital role.

Internal auditing is more than just checking financial records; it involves assessing operational efficiency, risk management, and the effectiveness of internal controls. By evaluating processes objectively, internal auditors provide valuable insights and recommendations that help management make informed decisions, protect assets, and achieve organizational goals. Understanding internal auditing is essential for students in Accounting Information Systems because it bridges accounting, management, and strategic oversight.

## Activity

**Title: Mini Internal Audit Simulation**

- **Objective:** Students will understand internal audit processes and documentation.
- **Instructions:**
    1. Divide students into audit teams. Assign each team a department of a sample company (e.g., finance, operations, HR).
    2. Provide audit checklists with areas to inspect (compliance, efficiency, controls).

3. Teams perform a mock audit, identify findings, and propose corrective actions.
4. Present findings in a short audit report.

- **Output:** Internal audit report including findings, risks, and recommendations.

## Abstraction

Internal auditing is a critical function that strengthens governance, manages risks, and improves organizational processes. It provides independent and objective evaluations that guide management decisions and protect organizational resources. By ensuring compliance, enhancing efficiency, and preventing fraud, internal auditing adds value to organizations and builds trust among stakeholders.

Unlike external auditing, which focuses primarily on financial statements, internal auditing addresses both operational and financial aspects, helping organizations achieve their strategic objectives.

### 1. Meaning of Internal Audit

**Internal auditing** is an independent, objective assurance, and consulting activity aimed at adding value and improving an organization's operations. It provides systematic evaluations of internal processes, controls, and risk management practices. The goal is not only to detect errors or fraud but also to enhance operational efficiency, compliance, and overall governance.

In practice, **internal auditors** examine the processes that govern an organization's daily operations, including financial reporting, operational workflows, and adherence to policies. Through careful assessment, internal audit identifies weaknesses, potential risks, and inefficiencies, providing actionable recommendations for improvement. Essentially, internal audit serves as a safeguard, ensuring the organization operates reliably and responsibly.

### 2. Purpose of Internal Audit

The primary purpose of internal audit is to assist management in achieving the organization's objectives. Internal auditors provide management with independent evaluations of internal controls, risk management procedures, and governance processes.

Internal audit helps organizations in several ways:

- Ensuring that internal policies and procedures are consistently applied and followed.
- Protecting organizational assets against misuse, theft, or fraud.
- Verifying that financial and operational data is accurate, complete, and reliable.

- Identifying operational inefficiencies and recommending process improvements.
- Supporting risk management efforts by highlighting potential threats and suggesting mitigations.

By fulfilling these purposes, internal audit strengthens confidence in the organization's operations, not only for management but also for stakeholders, such as investors, regulators, and customers.

### 3. Objectives of Internal Audit

**Internal auditing** serves multiple objectives that ensure organizational sustainability and accountability. The primary objectives include:

1. **Evaluation of Internal Controls:** Internal auditors assess whether controls are properly designed and effective in minimizing errors, fraud, and operational inefficiencies.
2. **Risk Management Assessment:** Auditors identify potential risks, evaluate their impact, and recommend strategies to mitigate them.
3. **Compliance Assurance:** Internal auditing verifies that organizational practices align with legal requirements, company policies, and regulatory standards.
4. **Operational Efficiency:** Internal auditors analyze workflows and processes to recommend improvements that enhance productivity and reduce wastage.
5. **Fraud Prevention and Detection:** Auditing activities detect and prevent fraudulent activities or irregularities, protecting organizational assets.

These objectives collectively contribute to a culture of accountability, transparency, and continuous improvement within the organization.

### 4. Scope of Internal Audit

The scope of internal audit is broad, encompassing all organizational activities that require evaluation. Some common areas include:

- **Financial Audits:** Reviewing accounting records, budgets, and financial reporting procedures.
- **Operational Audits:** Assessing the efficiency of operations and resource utilization.
- **Compliance Audits:** Ensuring adherence to laws, regulations, and internal policies.
- **Information Systems Audits:** Evaluating IT systems, data integrity, and cybersecurity controls.
- **Performance Audits:** Measuring whether organizational objectives are achieved efficiently.

Internal auditors may examine multiple departments, including accounting, human resources, purchasing, sales, and IT. Their work extends beyond financial data to include processes, systems, and operational activities that affect the organization's performance.

## 5. Internal Audit vs. External Audit

Although internal and external audits share the goal of improving organizational reliability, they differ in focus, scope, and reporting structure:

- **Internal Audit:** Conducted by employees of the organization. Focuses on process improvement, risk management, and internal controls. Reports to management or the audit committee. Conducted continuously or periodically.
- **External Audit:** Conducted by independent auditors outside the organization. Focuses on verifying the fairness and accuracy of financial statements. Reports to shareholders. Usually conducted annually.

Internal auditors work proactively to prevent issues, while external auditors provide an independent opinion on financial accuracy.

## 6. Independence and Objectivity

**Independence and objectivity are fundamental principles of internal auditing.** Even though auditors are employed by the organization, they must remain unbiased and impartial in their evaluation. Auditors should avoid auditing their own work or letting management influence their findings.

Typically, internal auditors report directly to the board of directors or the audit committee. This reporting structure ensures that their assessments and recommendations are objective, reliable, and free from conflicts of interest.

## <u>Application</u>

### Case Scenario:

XYZ Retail Store has experienced repeated inventory shortages and delays in preparing financial reports. Management suspects weaknesses in internal controls and operational inefficiencies.

### Guide Questions:

1. Identify potential internal control weaknesses that may exist in XYZ Retail Store.
2. How can internal audit help resolve these issues and prevent recurrence?
3. Explain why independence and objectivity are important when conducting this audit.

Students are encouraged to answer in paragraph form, applying concepts from this module to analyze real-world organizational problems.

## <u>Closure</u>

Congratulations students for the job well done! You are now familiar with the nature of an internal audit hence, you are now ready for the next lesson on the "Market Share, Operations, Sales & Profits, Cost of Goods Sold.

**Lesson 5:** **Market Share, Operation, Sales and Profit and Cost of Good Sold**

## Learning Outcomes

At the end of this lesson, you will be able to:

a) Define Market Share, Business Operations, Sales, COGS, and Gross Profit, and explain their significance in business performance;
b) Analyze how market share, operations, and sales influence profitability;
c) Calculate COGS and Gross Profit using real-world examples; and
d) Propose strategies to improve market share, operational efficiency, sales, and profitability.

## Time Frame: Week 8

## Introduction

Understanding a company's performance in the marketplace requires a clear grasp of key financial and operational metrics. Market share, operations efficiency, sales, profits, and the cost of goods sold (COGS) are fundamental indicators that reveal how well a business is performing relative to competitors. Market share measures a company's portion of total industry sales, providing insight into its competitive position, while sales and profits reflect the organization's ability to generate revenue and manage expenses effectively. Analyzing these metrics together allows businesses to identify growth opportunities, optimize operations, and make informed strategic decisions.

In addition, understanding COGS is critical for evaluating profitability and cost management. COGS represents the direct costs involved in producing goods or services, and it directly affects gross profit margins. By examining the relationship between sales, COGS, and profits, organizations can assess operational efficiency, identify areas for cost reduction, and develop pricing strategies that maximize profitability. This lesson equips students with the analytical tools to interpret these financial indicators, evaluate performance, and provide actionable insights that drive sustainable business success.

## Activity

Title: Financial Performance Analysis

- Objective: Students will analyze key business metrics to assess performance.
- Instructions:
    1. Provide a simplified income statement and market data for a business.

2. Calculate market share, gross profit, net profit, and COGS ratios.
3. Identify trends, strengths, and weaknesses.
4. Discuss strategic implications for operations and sales.

- Output: A performance analysis table with insights and recommendations.

Businesses operate in competitive markets where sales, costs, and operational efficiency determine success. Understanding **market share**, monitoring **operations**, tracking **sales**, and analyzing **costs and profits** are crucial for effective decision-making.

- **Market Share** shows a company's relative position in the industry.
- **Business Operations** cover all activities that deliver products or services.
- **Sales** generate revenue.
- **COGS** indicates direct costs of production.
- **Gross Profit** measures earnings before operating expenses.

Together, these metrics help businesses understand performance, identify areas for improvement, and plan strategies for growth.

## Abstraction

**Market share** refers to the portion or percentage of a market earned by a company or an organization. In other words, a company's market share is its total sales in relation to the overall industry sales of the industry in which it operates.

**Formula for Market Share**

The market share is calculated as follows:

$$\text{Market Share} = \frac{\text{Total Company Sales}}{\text{Total Industry Sales}}$$

Say, **for example,** the purchasing activity of consumers as a whole is 100 tubes of toothpaste, and a certain toothpaste maker sells 60 tubes. It implies that the company holds a 60% market share. The calculation of market share takes into consideration a company's total sales over a particular time period and the total sales of the industry in which it operates over that period.

**Impact of Market Share**

1. **Economies of scale:** Higher market share allows cost advantages and greater profitability.
2. **Increased sales:** Popularity drives more customers to buy.
3. **Larger customer base:** Loyal customers attract new ones.
4. **Reputation:** Strong market share boosts brand reputation.
5. **Industry dominance:** Leads to greater control over the market.
6. **Bargaining power:** Companies can negotiate better with suppliers and distributors.

### Ways to Increase Market Share

1. **Innovation:** New products or technology give a competitive edge.
2. **Lower prices:** Attracts more customers and boosts sales.
3. **Customer relationships:** Retaining customers ensures loyalty and growth.
4. **Advertising:** Promotes the brand and outshines competitors.
5. **Quality:** Higher quality attracts more buyers.
6. **Acquisition:** Buying competitors reduces competition and expands reach.

Business operations refer to the activities, processes, and systems that an organization uses to produce goods or deliver services on a daily basis. It includes everything that happens between acquiring inputs (such as materials, labor, and information) and delivering outputs (products or services) to customer. Business operations are often described as the "engine" of a business. Without effective business operations, even the best marketing campaigns or financial strategies cannot deliver results.

### Key Component of Business Operations

Production of service Delivery- This is the heart of operations, how products are manufactured or how services are provided. In a factory, it includes machinery, assembly lines, and quality checks. In a service business, it may involve customer interactions, scheduling, and execution of tasks.

1. Supply Chain and Inventory Management- This involves sourcing raw materials, managing suppliers, storing inventory, and ensuring that the right products are available at the right time. Poor supply chain management can lead to shortages, overstocking, or delays.
2. Process Management- Processes define how tasks are completed. Clear workflows, standard operating procedures (SOPs), and documentation ensure that work is done efficiently and consistently.
3. Human Resources and workforce management- Employees are central to a business operations. Scheduling, training, performance management, and safety policies all affect productivity and service quality.
4. Quality Control and Compliance- All business operations must meet internal quality standards and external regulations. This includes inspections, audits, documentation, and corrective actions.

### Types of Business Operations

Different industries have different business operation structures. Here are common types.

1. Manufacturing Operations- These focus on transforming raw materials into finished products. Key activities include procurement, production planning, machine maintenance, and quality testing. Example: Automobile factories, electronics manufacturers, food processing plants.
2. Service Operations- Service-based businesses focus on delivering experiences or expertise rather than physical goods. Operations involve scheduling,

customer interaction, service execution, and feedback managemen. Example: Hospitals, consulting firms, hotels, cleaning services.

3. Retail Operations- Retail operations manage product sourcing, inventory, pricing, merchandising, sales transactions, and customer support. Example: Supermarkets, fashion stores, online shops.
4. Logistics and distribution Operations- These operations move goods from one place to another. They involve transportation planning, warehousing, route optimization, and order fulfillment. Example: Courier services, freight companies, fulfillment centers.

**Sales** refer to the total revenue earned by a business from selling goods or services to customers. Sales are the primary source of income for any business and are influenced by factors such as pricing, demand, marketing strategies, and product quality.

Example:

Ana Delicious Desserts sold 1,000 cupcakes at 3 each in July.

**Total Sales for July:** 1,000 cupcakes X 3/cupcake = $3,000

**Cost of Goods Sold (COGS)**

COGS includes all direct costs associated with producing the goods or services sold. This includes the cost of raw materials, direct labor, and other direct expenses. It does not include indirect costs such as marketing, administrative salaries, or rent.

**Formula:**

```
COGS = Beginning Inventory + Purchases - Ending Inventory
```

**Explanation of Components:**

- Beginning Inventory: The value of inventory (raw materials and finished goods) at the start of the accounting period.
- Purchases: The cost of additional inventory acquired during the period.
- Ending Inventory: The value of inventory remaining at the end of the accounting period.

**Examples:**

Let's break down the COGS for "Ana's Delicious Desserts" in July:

- **Beginning Inventory (July 1st):** $500 (ingredients like flour, sugar, eggs)
- **Purchases (during July):** $800 (more ingredients bought during the month)
- **Ending Inventory (July 31st):** $400 (remaining ingredients at the end of the month)

Calculation:

```
COGS = $500 (Beginning Inventory) + $800 (Purchases) - $400 (Ending Inventory) = $900
```

**Gross**

**Profit**

Gross Profit is the difference between sales revenue and the cost of goods sold. It represents the profit a company makes before deducting operating expenses, interest, and taxes.

Formula:

```
Gross Profit = Sales - COGS
```

**Example:**
For Dola's Delicious Desserts in July:

- **Sales:** $3,000
- **COGS:** $900

**Calculation:**

```
Gross Profit = $3,000 (Sales) - $900 (COGS) = $2,100
```

**Market Share** – percentage of total industry sales captured by a company.

**Business Operations** – activities and processes that produce goods or services efficiently.

**Sales** – total revenue from goods or services sold.

**Cost of Goods Sold (COGS)** – direct costs of producing sold goods/services.

**Gross Profit** – revenue minus COGS; indicates profitability before operating expenses.

## Application

Short Answer Questions:

1. Explain why market share is important for business success.
2. How do efficient business operations improve profitability?
3. Give an example of how improving operations could increase sales.

## Closure

Congratulations students for the job well done! You are now familiar with the Market Share, Operation, Sales and Profit and Cost of Good Sold hence, you are now ready for the next lesson on the “Internal Factor Evaluation Matrix Guidelines”.

| Lesson 6: | Internal Factor Evaluation (IFE) Matrix Guidelines |
|---|---|

## Learning Outcomes

At the end of this module, students will be able to:

- Explain the purpose and importance of the IFE Matrix in strategic management.
- Identify key internal strengths and weaknesses of an organization.
- Construct an IFE Matrix using proper weights and ratings.
- Interpret the total weighted score of an IFE Matrix.
- Apply IFE Matrix results in strategic decision-making.

## Time Frame: Week 8

## Introduction

Organizations must understand their internal capabilities before crafting effective strategies. Internal factors such as strong management, efficient operations, sound financial resources, or weak internal controls significantly influence organizational performance. The Internal Factor Evaluation (IFE) Matrix is a strategic tool that allows firms to summarize and evaluate these internal factors in a structured and objective manner.

Unlike simple lists of strengths and weaknesses, the IFE Matrix assigns numerical values to internal factors, making analysis more systematic and comparable. This lesson focuses on the guidelines and procedures in developing an accurate and meaningful IFE Matrix.

## Abstraction

The IFE Matrix is a vital tool in internal analysis that transforms qualitative judgments into quantitative data. By following systematic guidelines, organizations can objectively assess their strengths and weaknesses. The resulting score provides valuable insight into the firm's internal health and readiness to pursue strategic

### 1. Meaning of the IFE Matrix

The Internal Factor Evaluation (IFE) Matrix is a strategic management tool that summarizes and evaluates an organization's major internal strengths and weaknesses. It provides a quantitative basis for analyzing internal conditions by assigning weights and ratings to key factors that affect organizational performance.

The IFE Matrix does not determine strategies by itself but serves as a foundation for matching internal capabilities with external opportunities and threats during strategy formulation.

### 2. Purpose of the IFE Matrix

The IFE Matrix aims to:

- Identify the most important internal strengths and weaknesses of the organization.
- Evaluate how effectively the organization is responding to its internal factors.
- Provide a numerical assessment of the firm's internal position.
- Serve as an input to other strategic tools such as the SWOT Matrix, IE Matrix, and QSPM.

By using the IFE Matrix, managers can focus on critical areas that require improvement or sustained investment.

### 3. Key Areas of Internal Factors

Internal factors included in the IFE Matrix are commonly grouped into the following functional areas:

- Management (planning, organizing, leadership, control)
- Marketing (market share, pricing, promotion, customer service)
- Finance and Accounting (liquidity, profitability, capital structure)
- Production and Operations (efficiency, capacity, quality control)
- Research and Development (innovation, product improvement)
- Information Systems (technology, data accuracy, decision support)

### 4. Guidelines in Constructing an IFE Matrix

The following steps serve as guidelines in preparing an IFE Matrix:

**Step 1: List Key Internal Factors** Identify 10–20 significant internal strengths and weaknesses. These should be specific, actionable, and relevant to the organization's success.

**Step 2: Assign Weights** Assign a weight to each factor, ranging from 0.0 (not important) to 1.0 (very important). The sum of all weights must equal 1.0. Weights reflect the relative importance of each factor to organizational success.

**Step 3: Assign Ratings** Give each factor a rating from 1 to 4, indicating how well the organization responds to that factor:

- 4 = Major strength
- 3 = Minor strength
- 2 = Minor weakness
- 1 = Major weakness

Ratings are based on the organization's current performance, not on the importance of the factor.

**Step 4: Compute Weighted Scores** Multiply each factor's weight by its rating to obtain the weighted score.

**Step 5: Compute the Total Weighted Score** Add all weighted scores to obtain the total IFE score. The total score ranges from 1.0 to 4.0.

**5. Interpretation of the IFE Matrix**

- A total weighted score **below 2.5** indicates a weak internal position.
- A total weighted score **above 2.5** indicates a strong internal position.
- A score of **2.5** represents an average internal condition.

The interpretation helps managers understand whether strengths outweigh weaknesses or vice versa.

opportunities.

## Application

**Case Scenario:**

ABC Manufacturing Company experiences strong product quality and skilled employees but struggles with high operating costs and outdated technology.

**Guide Questions:**

1. Identify at least three strengths and three weaknesses of ABC Manufacturing Company.
2. Construct a partial IFE Matrix using the identified factors.
3. Interpret the total weighted score and explain its strategic implication.

Students should answer using the guidelines discussed in this module.

## Closure

Well done! You have successfully learned the guidelines in constructing and interpreting the Internal Factor Evaluation (IFE) Matrix. This knowledge prepares you for integrating internal and external analyses in developing effective business strategies.

## Module Assessment

The module assessment for Module 4: The Internal Environmental Analysis will consist of multiple-choice questions and short answer questions. This assessment aims to evaluate students' understanding of the key concepts, tools, and frameworks used in analyzing an organization's internal environment.

### Part 1. Multiple-Choice Questions

1. Internal Environmental Analysis primarily focuses on an organization's:
   a) Political and legal environment
   b) Internal strengths and weaknesses
   c) Economic conditions
   d) Industry competitors
2. Which of the following best describes Key Performance Indicators (KPIs)?
   a) General business goals
   b) Qualitative opinions of managers
   c) Measurable indicators of organizational performance
   d) External market trends
3. Which framework evaluates resources based on Value, Rarity, Imitability, and Organization?
   a) SWOT Analysis
   b) GAP Analysis
   c) VRIO Analysis
   d) McKinsey 7S Framework
4. The McKinsey 7S Framework emphasizes the importance of:
   a) External market forces
   b) Financial performance only
   c) Alignment among internal organizational elements
   d) Government regulations
5. Which of the following is considered a direct cost included in Cost of Goods Sold (COGS)?
   a) Advertising expense
   b) Office rent
   c) Raw materials
   d) Administrative salaries

### Part 2. Short Answer Questions

1. Explain why internal environmental analysis is important in strategic management.
2. Describe the role of Key Performance Indicators (KPIs) in evaluating organizational performance.
3. Differentiate between SWOT Analysis and Gap Analysis in internal assessment.
4. Explain how internal audit helps improve organizational effectiveness.
5. Discuss the purpose of the Internal Factor Evaluation (IFE) Matrix in strategic decision-making.

**Module Summary**

This module focuses on equipping students with essential tools and frameworks for evaluating organizational performance and strategic positioning. It begins with the understanding and application of Key Performance Indicators (KPIs), which allow organizations to measure their progress against set objectives. Complementing this are analytical tools like SWOT and GAP Analysis, which help identify strengths, weaknesses, opportunities, and threats, as well as areas where performance gaps exist. Additionally, strategic frameworks such as VRIO Analysis and the McKinsey 7S Model provide insight into the organization's resources, capabilities, and alignment of internal elements, supporting the development of sustainable competitive advantages.

The module further delves into the nature and purpose of internal audits, emphasizing their role in assessing operational efficiency, compliance, and risk management within an organization. Students also explore key financial and operational metrics, including market share, sales, profits, operations, and cost of goods sold, which are critical in measuring an organization's performance relative to competitors and in identifying areas for improvement. By analyzing these metrics, students learn to interpret performance data meaningfully, linking operational outcomes to strategic goals.

Finally, the module introduces the Internal Factor Evaluation (IFE) Matrix, a structured method for assessing the relative importance and effectiveness of internal strengths and weaknesses. Through guided application of the IFE Matrix, students can prioritize key internal factors, quantify their impact, and generate actionable insights for strategic decision-making. Collectively, these lessons provide a robust framework for understanding internal organizational dynamics, enabling students to critically evaluate performance, optimize resources, and formulate strategies that enhance long-term competitiveness.

## References


Beaver S. (2025, October 6). *Cost of Goods Sold (COGS): What It Is & How to Calculate.* https://www.netsuite.com/portal/resource/articles/financial-management/cost-of-goods-sold-cogs.shtml

Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2020). *Strategic Management: Competitiveness and Globalization*. Cengage Learning.

Institute of Internal Auditors. (2017). *International standards for the professional practice of internal auditing (Standards).* The Institute of Internal Auditors.

Jennings, M. D. (2000). GAP analysis: Concepts, methods, and recent results. *Landscape Ecology*, *15*(1), 5–20. https://doi.org/10.1023/a:1008184408300

Messier, W. F., Glover, S. M., & Prawitt, D. F. (2017). *Auditing and assurance services: A systematic approach* (10th ed.). McGraw-Hill Education.

Team, C. (2023, November 22). *Market share*. Corporate Finance Institute. https://corporatefinanceinstitute.com/resources/economics/market-share/

Twin, A. (2025, June 17). KPIs: What are key performance indicators? types and examples. Investopedia. https://www.investopedia.com/terms/k/kpi.asp

Whatfix. (2023, March 21). *McKinsey 7S Model: What it is, example & how to use it*. Whatfix. https://whatfix.com/blog/mckinsey-7s-model/

Whittington, O. R., & Pany, K. (2019). *Principles of auditing and other assurance services* (21st ed.). McGraw-Hill Education.

## MODULE 5: STRATEGY ANALYSIS AND CHOICE & STRATEGY IN ACTION

**Module Overview**

This module explores how businesses evaluate their options to select the most appropriate strategies and how these strategies are put into action. It focuses on the process of strategy analysis and choice, where organizations assess internal and external factors to determine the best course of action to achieve their goals.

The module also discusses strategies in action, emphasizing how chosen strategies are implemented, monitored, and adjusted to ensure long-term success. Major categories of business strategies are presented with clear explanations and real-world examples to help learners connect theory with practice. To reinforce understanding, the module includes a comprehensive activity that allows students to apply key concepts in a practical and meaningful way.

**Module Objectives/Outcomes**

By the end of this module, learners will be able to:

a. Analyze factors that influence strategic choice
b. Differentiate between major types of business strategies
c. Apply strategic frameworks to real-world scenarios
d. Outline steps for implementing chosen strategies

**Lessons in the Module:**

Lesson 1: Type of Business Strategies

Lesson 2: Intensive Strategies

Lesson 3: Diversification Strategies

Lesson 4: Defensive Strategies

Lesson 5: Michael Porter's Generic Strategies

## Lesson 1: Type of Business Strategies

### Learning Outcomes

At the end of this lesson, you will be able to:

a) Define business strategies
b) Explain the importance of business strategies in organizations
c) Identify and describe the major types of business strategies
d) Apply basic strategic concepts to simple business situations

### Time Frame: Week 10

### Introduction

Every organization, whether small or large, operates in a competitive environment. To survive, grow, and succeed, managers must make decisions that guide the organization toward its goals. These decisions are not random; they are guided by well-planned business strategies. Business strategies help organizations determine where they want to go and how they will get there. Understanding business strategies is essential for managers because these strategies influence performance, competitiveness, and long-term sustainability.

### Activity

**Title:** *Identifying Business Strategies in Real Life*

**Objective:** To help students understand how business strategies are applied in real organizations.

**Instructions:**

1. Divide the class into small groups.
2. Each group will choose a familiar business (e.g., fast-food chain, retail store, online business).
3. Identify one strategy the business uses (e.g., low prices, unique products, expansion to new locations).
4. Discuss why this strategy is effective for the business.
5. One representative from each group will share their answers with the class.

## Analysis

Business strategies guide organizations in making decisions that enhance competitiveness and long-term success. The different types of strategies intensive, diversification, defensive, and Porter's generic strategies show that businesses must choose approaches that match their goals and market conditions. Effective strategy requires flexibility, allowing organizations to adapt to changes in the environment. Overall, business strategy helps firms use resources efficiently, respond to challenges, and achieve sustainable growth.

## Abstraction

### *What is Business Strategy?*

**Business strategy** are long-term plans and actions formulated by management to achieve organizational goals, gain competitive advantage, and respond effectively to internal and external environmental changes. These strategies guide how resources are allocated and how the organization competes in the market.

**Nature of Business Strategy**

- Long-term in orientation, business strategy is designed to guide organizations in planning and decision-making that support sustained growth and success over time.
- Focused on the overall direction of the organization, business strategy determines where the firm is heading and how it intends to achieve its long-term goals.
- Dynamic and responsive to the environment, business strategy continuously evolves to address changes in market conditions, competition, and external forces.
- Action-oriented and influential in management, business strategy provides a practical basis for guiding managerial decisions and organizational actions.
- Integrating internal resources with external opportunities and threats, business strategy enables organizations to align their strengths with environmental conditions.

**Importance of Business Strategy**

- Providing clear direction for the organization, business strategy helps unify the efforts of management and employees toward shared objectives.
- Helping managers achieve goals efficiently, business strategy supports effective planning, coordination, and execution of organizational activities.
- Enabling firms to gain competitive advantage, business strategy allows organizations to position themselves effectively within their industries.

- Helping organizations respond to changing markets, business strategy promotes adaptability and timely strategic decision-making.
- Improving the use of resources, business strategy ensures that financial, human, and physical assets are allocated efficiently.
- Ensuring long-term growth and sustainability, business strategy balances current performance with future organizational needs.
- Helping manage risks and uncertainties, business strategy allows organizations to anticipate challenges and prepare appropriate responses.

**Functions of Business Strategy**

- Setting long-term objectives, business strategy establishes clear goals that guide organizational planning and performance evaluation.
- Guiding decision-making, business strategy provides a consistent framework for managerial choices across all levels of the organization.
- Coordinating organizational activities, business strategy aligns departmental efforts toward the achievement of common goals.
- Allocating resources effectively, business strategy prioritizes initiatives and distributes resources in line with strategic objectives.
- Monitoring performance, business strategy sets standards that enable management to assess progress and identify areas for improvement.
- Helping organizations adapt to environmental changes, business strategy encourages continuous assessment and strategic adjustment.
- Ensuring all departments work toward common goals, business strategy promotes unity and alignment across the organization.

**Types of Business Strategies**

1. ***Intensive Strategies***

   These strategies focus on improving a company's position using existing or new products. They include market penetration, market development, and product development.

2. ***Diversification Strategies***

   Diversification strategies involve expanding the business by adding new products or entering new industries. These may be related or unrelated to the existing business.

3. ***Defensive Strategies***

Defensive strategies are used when an organization faces challenges or declining performance. Examples include retrenchment, divestiture, and liquidation.

4. ***Michael Porter's Generic Strategies***

These include cost leadership, differentiation, and focus strategies, which explain how firms achieve competitive advantage.

## Application

**Short Answer Questions**

1) Define business strategies in your own words.
2) Why are business strategies important to organizations?
3) Identify and briefly explain one type of business strategy.
4) Give an example of a business and the strategy it uses.

## Closure

Congratulations! You have completed Lesson 1 on Business Strategies. By understanding the meaning and types of business strategies, you are now prepared to explore deeper strategic concepts and analyze how organizations choose and implement strategies in real-world situations.

| Lesson 2: | Intensive Strategies |
|---|---|

## Learning Outcomes

At the end of this lesson, you will be able to:

a) Identify and define the three main types of intensive strategies.
b) Analyze real-world scenarios to determine which intensive strategy is most appropriate.
**c)** Explain how businesses can apply these strategies to achieve growth goals.

## Time Frame: Week 10

## Introduction

In competitive markets, businesses need targeted growth plans to stay relevant and increase revenue. Intensive strategies focus on maximizing opportunities with existing resources rather than diversifying into new areas. Developed by Igor Ansoff as part of his Ansoff Matrix, these strategies are ideal for companies looking to strengthen their position without significant shifts in their core operations. This module will explore how market penetration, market development, and product development work to drive business expansion.

## Activity

**Title:** *Strategy Matching Exercise*

**Instructions:**
Read each scenario below and match it to the correct intensive strategy (market penetration, market development, or product development). Write your answers on a separate sheet or in the space provided.

***Scenarios:***

1. A local coffee shop in Davao City introduces a new line of iced teas and fruit smoothies to attract more customers during hot months.
2. A Philippine smartphone brand that currently sells only in Luzon launches its products in Visayas and Mindanao
3. A well-known fast-food chain runs a "buy-one-get-one" promotion and increases its social media advertising to boost sales in its existing branches nationwide.
4. A textbook publisher updates its high school science books with new content and interactive digital features for its current school market.

5. An online shopping platform that serves Filipino customers starts offering its services to overseas Filipinos in Singapore and Hong Kong.

After completing the matching, discuss your answers with a partner or small group and explain the reasoning behind each choice.

## Abstraction

***Intensive strategies*** are growth-oriented business approaches focused on maximizing opportunities using a company's existing core resources, products, or markets, rather than diversifying into entirely new areas. Developed as part of Igor Ansoff's Ansoff Matrix, these strategies aim to strengthen a business's position and increase revenue by concentrating on areas where the organization already has expertise or a presence.

Intensive strategies are divided into three key categories:

1. ***Market Penetration***
   - *Definition:* Increasing sales of existing products or services in existing markets.
   - *How it works:* Achieved through tactics like advertising campaigns, promotional offers, improving customer loyalty programs, or increasing distribution channels within the same market.

   *Example:* A supermarket chain offering discounts to encourage more frequent purchases from its regular shoppers.

2. ***Market Development***
   - *Definition:* Introducing existing products or services to new markets.
   - *How it works:* New markets can be geographic (e.g., expanding from Davao to other Philippine regions), demographic (e.g., targeting a different age group), or channel-based (e.g., moving from physical stores to online sales).

   *Example:* A local handicraft maker from Davao starts selling products on e-commerce platforms to reach customers across the Philippines.

3. ***Product Development***
   - *Definition:* Creating new or improved products/services for existing markets.
   - *How it works:* Involves research and development to enhance features, add new variants, or address changing customer needs in the current market.

*Example:* A skincare brand that specializes in tropical climate products launches a new sunscreen formula with higher UV protection for Filipino consumers.

***Key Note:*** *These strategies are often used in combination to maximize growth potential, but each requires different resources and planning.*

## <u>Application</u>

**Short Answer Questions**

***Question:*** A Davao-based fruit processing company currently sells dried mangoes only to local retailers. They want to grow their business—identify two intensive strategies they could use, and explain specific actions they could take for each.

## <u>Closure</u>

Intensive strategies provide a structured way for businesses to pursue growth while minimizing risk compared to diversification. Whether a company chooses to deepen its presence in existing markets, expand to new areas, or innovate its offerings, these approaches rely on leveraging what the business already does well. As you move forward, consider how these strategies might apply to businesses you interact with daily—from local shops to national brands.

| Lesson 3: | Diversification Strategies |
| --- | --- |

## Learning Outcomes

At the end of this lesson, you will be able to:

a) Define diversification strategy and explain its purpose.
b) Distinguish between related and unrelated diversification.
c) Identify the different levels of diversification used by companies.
d) Explain the advantages and disadvantages of diversification strategies.
e) Apply diversification concepts to real-life business situations.

## Time Frame: Week 10

## Introduction

In this lesson, students will explore the concept of diversification strategies as an important approach to business growth and risk management. The lesson introduces key ideas such as the meaning and purpose of diversification, the types of diversification strategies, and the different levels at which diversification can occur. Through a combination of theoretical discussion and practical examples, students will learn how companies expand their operations by adding new products or entering new industries to remain competitive and profitable.

As the lesson progresses, students will examine real-world business situations, participate in group activities, and analyze case-based examples that demonstrate how diversification strategies are applied in actual organizations. By developing analytical and decision-making skills, this lesson aims to help students understand how diversification contributes to business stability and long-term success. Ultimately, students will gain a clear understanding of how effective diversification strategies can reduce risks, increase income opportunities, and strengthen a company's position in a competitive market.

## Activity

**Title:** "*Choose the Right Strategy*"

**Objective:** To help students identify and apply diversification strategies in real-life business scenarios.

**Materials Needed:**
- ✓ Ballpen
- ✓ Piece of Paper

**Duration:** 30 minutes

## Analysis

**Group Formation Dynamics:** The class will be divided into small groups of five to eight students, with each group acting as a management team responsible for making strategic business decisions. Each group will be assigned a simple business scenario such as a coffee shop, grocery store, clothing boutique, or small bakery.

During the activity, each group will identify one related diversification idea that is connected to the business's current operations and one unrelated diversification idea that is not connected to the existing business. Students are encouraged to analyze why these strategies are suitable, considering potential benefits such as risk reduction and income growth, as well as possible challenges like increased costs and management difficulty.

**Presentation:** Each group presents their scenario, explains the type of diversification chosen, and discusses the expected advantages and potential risks. Other students can ask questions or provide feedback to foster critical thinking.

## Abstraction

***Diversification strategy*** is a business strategy where a company adds new products or enters new industries that are different from its current operations. Companies use diversification to reduce risks, increase profits, and expand their market opportunities, especially when their existing business becomes saturated or highly competitive.

### Types of Diversification Strategies

***a. Related Diversification***

Related diversification occurs when the new business or product is connected to the existing business. This type of diversification is usually less risky because the company already has experience, skills, and resources related to the new product.

*Examples:*

- A bakery adding cakes, cookies, and pastries.
- A fast-food restaurant offering drinks, desserts, and breakfast meals.
- A phone company producing accessories like earphones and chargers.

***b. Unrelated Diversification***

Unrelated diversification happens when a company enters a business that is not connected to its current operations. This strategy is riskier because the company may lack experience in the new industry, but it can also bring higher rewards if successful.

*Examples:*

- A clothing brand investing in real estate.
- A restaurant owner starting a trucking business.
- A manufacturing company opening a school or hospital.

**Levels of Diversification**

1. ***Single Business***

   A single business strategy means that the company focuses on only one main product or service and relies on it as its primary source of income. The company does not engage in other types of businesses and concentrates all its resources, skills, and efforts on improving and sustaining that one product or service. This level allows the business to develop strong expertise and maintain consistent quality, but it also increases risk because the company depends on only one source of revenue.

   *Example*: A milk tea shop that sells only milk tea products.

2. ***Dominant Business***

   A dominant business strategy occurs when a company has one main business that generates most of its income, while also operating smaller side businesses that contribute only a minor portion of revenue. The main business remains the company's core focus, but the additional activities help support growth and provide limited risk reduction. This level allows the company to test new opportunities without fully shifting away from its primary business.

   *Example:* A rice dealer who mainly sells rice but also sells animal feeds. Rice remains the main income source, while animal feeds provide additional but smaller earnings.

3. ***Related Diversified***

   A related diversified strategy means that a company operates in several businesses that are connected to each other in terms of products, markets, technology, or resources. Because the businesses are related, the company can share knowledge, production facilities, marketing strategies, and distribution channels. This level of diversification is generally less risky and more efficient because the company builds on its existing strengths.

*Example:* A food company producing noodles, canned goods, and sauces. These products use similar ingredients, production processes, and distribution networks.

4. ***Unrelated Diversified***

An unrelated diversified strategy occurs when a company operates in businesses that have no direct connection to one another. Each business functions independently and serves different markets. This level of diversification is usually riskier because the company may lack expertise in the new industries, but it can also provide strong risk reduction since poor performance in one business may be offset by success in another.

*Example:* A company that owns hotels, farms, and construction firms. These businesses operate in different industries with separate management and operational requirements.

**Advantages and Disadvantages of Diversification Strategy**

***Advantages of Diversification Strategy***

- ✓ ***Reduced risk***
  Losses in one business can be offset by profits from another.
- ✓ ***More income sources***
  Multiple products or industries generate more revenue.
- ✓ ***Better use of resources***
  Existing skills, technology, and capital are maximized.
- ✓ ***Business stability***
  The company becomes less affected by market changes.

**Disadvantages of Diversification Strategy**

- × ***High costs***
  Diversification requires large investments and additional resources.
- × ***Management difficulty***
  Managing different businesses can be complex and challenging.
- × ***Lack of expertise***
  The company may not have enough knowledge in the new industry.
- × ***Risk of failure***
  Poor planning and decision-making can lead to losses instead of growth

**<u>Application</u>**

**Short Answer Questions**

***Individual Task:***

Choose a local or well-known business and answer:

1. Is the business diversified?
2. What type and level of diversification does it use?
3. What advantage does the business gain from diversification?

## Closure

Diversification strategy helps businesses grow, reduce risks, and improve stability by entering new markets or offering new products. However, diversification is not always easy and requires proper planning, enough capital, and effective management. When used correctly, diversification can lead to long-term business success.

| Lesson 4: | Defensive Strategies |
|---|---|

## Learning Outcomes

At the end of this lesson, you will be able to:

a) Explain the concept of defensive strategies;

b) Identify different types of defensive strategies;

c) Apply defensive strategies to real-life business situations.

## Time Frame: Week 11

## Introductio

In today's highly competitive and constantly changing business environment, organizations do not always operate under conditions favorable for growth and expansion. Economic downturns, intense competition, technological changes, and internal inefficiencies can threaten a firm's stability and long-term survival. In such situations, companies must adopt strategies that prioritize protection, efficiency, and sustainability rather than aggressive growth.

Defensive strategies are strategic actions used by organizations to minimize losses, reduce risks, and safeguard existing resources when faced with unfavorable conditions. These strategies are particularly important when a company experience declining performance, shrinking market share, or financial distress. Instead of expanding operations, defensive strategies focus on strengthening core activities, eliminating weaknesses, and restoring organizational stability.

This lesson examines the nature and importance of defensive strategies in strategic management. It discusses the different types of defensive strategies—such as retrenchment, divestiture, liquidation, and turnaround—and explains how these strategies help organizations respond effectively to challenges. By understanding defensive strategies, students will be able to analyze real-world business situations and recommend appropriate strategic actions that support organizational survival and recovery.

## Activity

**Activity: Choosing the Right Defensive Strategy**

**Title:** *Defensive Strategy Decision-Making Activity*

**Objective:**
To help students understand how defensive strategies are applied in real business situations and develop analytical skills in selecting appropriate strategic responses.

**Time Frame:** 30–40 minutes

**Materials Needed:**

- ✓ Ballpen
- ✓ Paper or worksheet
- ✓ Case scenarios (provided by the instructor)

**Instructions:**

1. Divide the class into small groups of **4–6 students**.
2. Each group will be given a short business scenario describing a company facing challenges such as declining sales, increased competition, or financial losses.
3. After reading the scenario, each group must:
   - Identify the **main problem** faced by the company;
   - Choose the most appropriate **defensive strategy** (retrenchment, divestiture, turnaround, or liquidation);
   - Explain **why** the chosen strategy is the best option.
4. Groups will write their answers on paper and prepare a **short presentation** (3–5 minutes).
5. Each group presents their analysis to the class.
6. The instructor and classmates may give feedback or ask questions after each presentation.

**Guide Questions:**

1. What signs indicate that the company needs a defensive strategy?
2. Why is your chosen defensive strategy appropriate for the situation?
3. What risks may arise from implementing this strategy?
4. How can the company recover or stabilize after applying the strategy?

**Expected Output:**
A short written analysis and an oral presentation explaining the selected defensive strategy.

***Case Scenario 1: Declining Retail Business***

ABC Fashion Store is a mid-sized clothing retailer operating in several malls. Over the past two years, the company has experienced a significant decline in sales due to increased competition from online shopping platforms and rising rental costs. Several branches are no longer profitable, and operating expenses continue to increase.

***Case Scenario 2: Non-Core Business Unit***

XYZ Manufacturing Corporation produces household appliances. While its core products remain profitable, one of its business units producing electronic accessories has been consistently generating losses. The unit requires high maintenance costs and diverts management attention from the company's main operations.

***Case Scenario 3: Company Facing Financial Crisis***

LMN Restaurant Group operates several casual dining restaurants. Due to the economic downturn and rising food costs, the company has accumulated heavy debt and continues to suffer financial losses. Despite several attempts to reduce expenses, the business can no longer sustain operations.

***Case Scenario 4: Struggling Service Company***

DEF Travel Agency relied heavily on walk-in customers and traditional booking methods. With the rise of online travel platforms, the company's customer base has decreased significantly. Management believes the business can still recover by restructuring operations and improving service delivery.

## Abstraction

***Defensive Strategies***

- are management tools that can be used to fend off an attack from a potential competitor
- a battleground where you have to fight and protect your market share by keeping your customers happy and stabilizing your profit.

**Approaches to Defensive Strategy**

The management follows two approaches of defensive strategy and they're as follows:

1. ***Active Approach***

   The purpose of the active approach is to block the competitors that are planning to steal your market share.
   In the active approach, you take these steps and they're as follows;
   - Increase the marketing and promotional activities of your product.
   - Cut down the price
   - Provide discounts to reduce the sales of your competitors.
2. ***Passive Approach***

   The goal of passive is to stop the competitor from taking away your customers and market share.
   In the passive approach, you take these steps and they're as follows;
   - New Product Innovation.
   - Company Expansion.
   - Reconnect with Old Customers.

**Types of Defensive Strategies**

a. ***Retrenchment Strategy***

A retrenchment strategy is an aggressive strategy where you take a bold decision of reducing businesses' operations and expenses. This strategy focuses on cutting costs and reducing operations to stop losses and restore profitability.

*Examples:*

- A retail company closes low-performing stores and reduces staff to stabilize its finances.
- An airline reduces staff and limits flight routes during an economic downturn to save money.
- A manufacturing company sells an underused warehouse to improve cash flow.

b. ***Turnaround Strategy***

This strategy gives firm a power to back out, withdraw or even retreat from any wrong decision taken earlier in order to reverse the process of decline. Turnaround strategies derive their name from the action involved, i.e. reversing a negative trend and turning around the organization to profitability.

*Examples:*

- The company closed unprofitable branches, launched online sales, and ran loyalty programs to recover declining sales.
- The agency improved service, introduced online booking, and partnered with hotels and airlines to regain lost customers.

c. ***Divestiture Strategy***

A divestment strategy, also known as a divestiture strategy, is when a company divests itself (separates from, sells, lets go of) a part or parts of its business. This strategy helps organizations reduce expenses and focus on more productive areas of the business.

*Examples:*

- A conglomerate sells its food division to focus solely on its technology business.
- A large food company sells its beverage division because it is underperforming, allowing management to focus on its main food products.

d. ***Liquidation Strategy***

Liquidation also serves as a defensive strategy, especially when businesses lower prices to quickly dispose of assets and minimize further losses. This is the most extreme defensive strategy, where the company sells all its assets and shuts down operations.

*Examples:*

- A company that can no longer operate profitably sells its machinery and property and exits the market.
- A retail shop is running into losses. The retailer to sell off his entire business, but he couldn't find any interested buyer. Finally, he decides to get as much value out of it as possible by selling all the equipment, inventory, fixture, and everything. The purpose is to permanently shut down the entire business.

**Advantages of Defensive Strategy**

- ✓ Increasing your marketing and advertising
- ✓ Typically less risk-laden than offensive strategies
- ✓ Enhance the value of your products or services

**Disadvantages Of Defensive Strategy**

- × Business does not understand it's target
- × Innovation and product development

## <u>Application</u>

1) Explain the importance of defensive strategies in helping organizations survive during unfavorable business conditions.
2) How do different defensive strategies (retrenchment, divestiture, turnaround, and liquidation) address common organizational challenges such as declining sales, rising costs, and financial distress?
3) Analyze how a Philippine business applied a defensive strategy during an economic downturn or competitive pressure.

## <u>Closure</u>

Defensive strategies help organizations survive and stabilize during financial or competitive challenges. Strategies such as retrenchment, turnaround, divestiture, and liquidation allow businesses to reduce risks, optimize resources, and protect their market position.

| Lesson 5: | Michael Porter's Generic Strategies |
|---|---|

## Learning Outcomes

At the end of this lesson, you will be able to:

a) Explain the concept of Michael Porter's Generic Strategies;
b) Identify and differentiate the three generic strategies: Cost Leadership, Differentiation, and Focus;
c) Analyze how these strategies help firms gain competitive advantage; and
d) Apply Porter's Generic Strategies to real-world business situations.

## Time Frame: Week 11

## Introduction

In a competitive business environment, organizations must carefully decide how they will compete in their respective industries. Success depends not only on offering products or services, but on choosing a clear strategic direction that allows firms to outperform competitors. Strategic management helps businesses align their resources, operations, and goals to achieve long-term success.

Michael Porter's Generic Strategies provide a framework that explains how companies can achieve competitive advantage through strategic positioning. Porter emphasized that firms must avoid trying to serve all markets in all ways, as this often leads to inefficiency and weak performance. Instead, firms must choose a specific strategy that defines how they will compete.

This lesson discusses the three generic strategies—Cost Leadership, Differentiation, and Focus—and explains how these strategies guide business decisions. Understanding these strategies enables students to analyze how firms compete and why some businesses succeed while others struggle.

## Activity

**Title:** *Identifying Competitive Strategies*

**Objective:** To help students recognize the application of Michael Porter's Generic Strategies in real-world businesses.

**Instructions:**

1. Divide the class into groups of 4–5 students.

2. Each group selects a local or international company.
3. Identify which of Porter's Generic Strategies the company uses.
4. Provide at least two reasons to justify your choice.
5. Present your findings to the class.

## Analysis

Based on the activity, students analyze how firms position themselves in the market. Some companies compete by offering low prices through efficiency, while others focus on uniqueness or serve specific market segments. The analysis shows that firms that clearly align their operations with a chosen strategy are more likely to achieve competitive advantage.

## Abstraction

### Michael Porter's Generic Strategies

*Michael Porter's Generic Strategies* explain how firms gain competitive advantage by choosing a clear strategic position within an industry. According to Porter, competitive advantage arises when a firm consistently delivers greater value to customers or operates more efficiently than competitors. The framework identifies three basic strategies that firms can use to compete effectively.

1. ***Cost Leadership Strategy***

   Cost leadership focuses on becoming the lowest-cost producer in the industry. Firms pursuing this strategy emphasize efficiency, cost control, economies of scale, and streamlined operations. The goal is to offer products or services at lower prices while maintaining acceptable quality, making this strategy effective in price-sensitive markets.

   *Examples:*
   Large retail chains and mass-production manufacturers often use cost leadership by minimizing operational and distribution costs.

2. ***Differentiation Strategy***

   Differentiation involves offering products or services that are perceived as unique by customers. This uniqueness may be based on quality, design, technology, branding, or customer service. Customers are often willing to pay a premium for differentiated products, allowing firms to reduce price competition.

   *Examples:*

Companies known for innovation, premium branding, or superior customer experience often follow differentiation strategies.

### 3. *Focus Strategy*

The focus strategy targets a specific market segment or niche rather than the entire market. Firms using this strategy tailor their products or services to meet the needs of a particular group. Focus strategies may be cost-focused or differentiation-focused, depending on how the firm competes within the niche.

*Examples:*
Specialty brands and niche service providers commonly adopt focus strategies.

**Comparison of Michael Porter's Generic Strategies**

| *Strategy* | *Main Objective* | *Target Market* | *Key Characteristics* | *Common Risk* |
|---|---|---|---|---|
| **Cost Leadership** | Lowest cost | Broad market | Efficiency, cost control, economies of scale | Price wars, reduced quality |
| **Differentiation** | Unique value | Broad market | Innovation, branding, quality | High costs, imitation |
| **Focus** | Niche advantage | Narrow market | Specialized products or pricing | Limited market growth |

**Avoiding Being "Stuck in the Middle"**

Michael Porter emphasized that firms must commit to one clear generic strategy to achieve sustainable competitive advantage. A firm is considered "stuck in the middle" when it fails to successfully pursue cost leadership, differentiation, or focus. In this situation, the company neither offers the lowest prices nor provides unique value, resulting in weak competitive positioning.

This problem often arises when firms attempt to combine strategies without adequate resources or strategic clarity. For instance, a company may try to reduce costs while also investing heavily in premium features. This leads to increased expenses without meaningful differentiation, making it difficult to compete against true cost leaders or strong differentiators.

A key lesson from Porter's framework is that strategy requires trade-offs. Firms must choose what activities to prioritize and which ones to avoid. Cost leaders may limit product variety to maintain efficiency, while differentiators accept higher costs to support innovation and quality. Without these trade-offs, firms risk inefficiency and confusion.

***Example:***

A mid-priced restaurant attempting to compete with fast-food chains on price while also offering fine-dining ambiance may struggle. Customers seeking low prices choose fast food, while those seeking premium experiences choose upscale restaurants. As a result, the restaurant loses both markets.

To avoid being stuck in the middle, firms must clearly define their target market, align all business activities with their chosen strategy, and maintain consistency across operations, marketing, and pricing. Companies that successfully do this are more likely to sustain competitive advantage and long-term success.

## **Application**

Short Answer Questions:

1) Identify a company and explain which of Porter's Generic Strategies it follows.
2) Using the comparison table, explain one risk associated with each strategy.
3) Why is it important for firms to avoid being "stuck in the middle"?

## **Closure**

Well done! You have learned how Michael Porter's Generic Strategies help businesses achieve competitive advantage through clear strategic choices. By understanding cost leadership, differentiation, focus, and the importance of avoiding being "stuck in the middle," you are now better equipped to analyze competitive behavior.

## Module Assessment

The module assessment for Module 5 will consist of multiple-choice questions and short answer questions. This assessment aims to evaluate students' understanding of the key concepts covered in the module's lessons.

**Part 1. Multiple- Choice Questions**

1. What is the main purpose of business strategy?

    a. To increase daily sales only
    b. To guide long-term organizational decisions and direction
    c. To reduce employee workload
    d. To eliminate competition

2. Which strategy focuses on increasing sales of existing products in existing markets?

    a. Market development
    b. Product development
    c. Market penetration
    d. Diversification

3. A company selling its existing products in new geographic areas is applying which intensive strategy?

    a. Market penetration
    b. Market development
    c. Product development
    d. Retrenchment

4. Which strategy involves adding new products that are related to the existing business?

    a. Unrelated diversification
    b. Retrenchment
    c. Related diversification
    d. Liquidation

5. Which diversification level focuses on only one main product or service?

    a. Dominant business
    b. Related diversified
    c. Unrelated diversified
    d. Single business

6. Which defensive strategy involves reducing operations and expenses to stop losses?

    a. Turnaround

b. Divestiture
c. Retrenchment
d. Liquidation

7. What defensive strategy involves selling a part of the business to focus on core operations?

    a. Retrenchment
    b. Divestiture
    c. Turnaround
    d. Market development

8. Which of the following is the most extreme defensive strategy?

    a. Retrenchment
    b. Turnaround
    c. Divestiture
    d. Liquidation

9. Which of Michael Porter's strategies focuses on offering unique products or services?

    a. Cost leadership
    b. Focus
    c. Differentiation
    d. Retrenchment

10. A firm that targets a specific market niche rather than the entire market uses which strategy?

    a. Cost leadership
    b. Differentiation
    c. Market development
    d. Focus

**Short Answer Questions**

1. Explain why business strategies are important to organizations.

2. Differentiate between market penetration and product development as intensive strategies.

3. Discuss the purpose of diversification strategies and why companies use them.

4. Describe the difference between retrenchment and turnaround strategies.

5. Why is it important for firms to avoid being "stuck in the middle" according to Michael Porter?

## Module Summary

Module 5 focused on **Strategy Analysis and Choice and Strategies in Action**, emphasizing how organizations select, apply, and evaluate business strategies to achieve long-term success. The module highlighted that strategic decisions are essential for guiding organizations toward their goals and maintaining competitiveness in dynamic environments.

The first lesson introduced the **types of business strategies**, explaining their nature, importance, and functions. It emphasized how strategies provide direction, support decision-making, and help organizations allocate resources effectively. Understanding business strategy enables firms to respond to internal and external challenges.

The module then discussed **intensive strategies**, which focus on growth using existing products and markets. Market penetration, market development, and product development were presented as key approaches for businesses aiming to increase sales and strengthen their market position without entering entirely new industries.

Next, **diversification strategies** were explored as methods for business expansion and risk reduction. The module explained related and unrelated diversification, as well as different levels of diversification, highlighting their advantages and disadvantages in achieving stability and long-term growth.

The lesson on **defensive strategies** emphasized organizational survival during unfavorable conditions. Strategies such as retrenchment, turnaround, divestiture, and liquidation were discussed as ways to minimize losses, stabilize operations, and protect resources when businesses face declining performance or financial distress.

Finally, the module examined **Michael Porter's Generic Strategies**, which include cost leadership, differentiation, and focus. These strategies explain how firms gain competitive advantage through clear strategic positioning. The module stressed the importance of avoiding being "stuck in the middle" by committing to one primary strategy and aligning organizational activities accordingly.

Overall, Module 5 provided a comprehensive understanding of how businesses analyze strategic options, choose appropriate strategies, and implement them effectively to achieve competitive advantage and long-term sustainability.

## References

Ansarada. (2025, May 19). Divestiture strategy for growth or poor performance. Ansarada. https://www.ansarada.com/article/mergers-acquisitions-divestiture-strategy

Defensive Strategies – Strategic Management. (n.d.). https://ebooks.inflibnet.ac.in/mgmtp03/chapter/defensive-strategies/

Diversification Strategy – Strategic Management. (n.d.). https://ebooks.inflibnet.ac.in/mgmtp03/chapter/diversification-strategy/

Shaw, A. A., & Shaw, A. A. (2021, March 23). Defensive Strategy – Meaning, types & examples. Marketing Tutor. https://www.marketingtutor.net/defensive-strategy/

## MODULE 6: IMPLEMENTING STRATEGIES AND MANAGEMENT ISSUES

### Module Overview

This module provides students with an understanding of strategy implementation and the key management issues that arise when strategies are put into action. It focuses on how organizational plans are translated into actual operations, emphasizing the role of managers in guiding, coordinating, and monitoring implementation efforts.

This module serves as a foundation for understanding the challenges involved in implementing strategies, covering areas such as managing conflict, aligning organizational structure with strategy, and addressing production/operations and human resource concerns that affect organizational performance.

### Module Objectives/Outcomes

At the end of Module 6, you will be able to:

a. Understand the nature and importance of strategy implementation in achieving organizational goals;
b. Analyze management issues and conflicts that may arise during strategy implementation;
c. Examine the alignment between organizational structure and strategy; and
d. Evaluate production/operations and human resource concerns when implementing strategies.

### Lessons in the Module:

Lesson 1: The Nature of Strategy Implementation

Lesson 2: Managing Conflict

Lesson 3: Matching Structure with Strategy

Lesson 4: Production/Operations Concerns when Implementing Strategies

Lesson 5: Human Resource Concerns When Implementing Strategies

| Lesson 1: | The Nature of Strategy Implementation |
|---|---|

## Learning Outcomes

At the end of this lesson, students should be able to:

a. Explain the key concepts and importance of strategy implementation in achieving organizational goals.
b. Identify the roles of managers and employees in executing strategic plans.
c. Analyze challenges and critical success factors in strategy implementation.

## Time Frame: Week 12

## Introduction

Strategy formulation is only the first step in achieving organizational objectives. Without proper implementation, even the most well-crafted strategies remain theoretical. Strategy implementation bridges planning and action, ensuring that organizational resources are effectively directed toward achieving the strategic vision. Understanding the nature of strategy implementation is essential for managers to translate strategy into measurable results.

Successful implementation requires coordination across multiple departments, alignment of resources, and continuous monitoring. Employees at all levels play a vital role in executing strategies, and their commitment is crucial for organizational success. This lesson explores how strategy moves from paper to practice and the factors that influence its effectiveness.

## Activity

**Title:** Strategy in Action: Case Study Simulation
**Objective:**

- To apply the concepts of strategy implementation to real-world scenarios.
- To identify challenges, critical success factors, and best practices in executing a strategy.

**Instructions:**

1. Divide the class into small groups (3–5 students each).
2. Provide each group with a **case study** of a company or organization that attempted to implement a strategic plan. Examples could include:
   - A company successfully launching a new product.
   - A business failing to execute a market expansion strategy.
3. Each group should:
   - Identify the **strategic objectives** of the organization.
   - Analyze the **implementation process**: steps taken, resource allocation, leadership involvement, and employee engagement.

- Highlight **challenges or obstacles** encountered during implementation.
- Suggest **alternative actions or solutions** that could have improved strategy execution.

4. Groups prepare a **5–7 minute presentation** summarizing their findings.

**Materials Needed:**

- Case study handouts or digital copies.
- Flipcharts, whiteboard, or slides for presentations.

**Expected Learning Outcomes from Activity:**

- Understand the practical steps in implementing a strategy.
- Recognize the importance of alignment, communication, and monitoring.
- Develop critical thinking by analyzing real organizational challenges.

## Abstraction

Strategy implementation is the critical process of translating a company's strategic plans into actionable steps that drive the organization toward its goals. Essentially, it answers the question, "How do we make this plan happen?" This process emphasizes the practical execution of strategy, ensuring that plans are not just theoretical but produce measurable outcomes. Successful implementation requires a strong focus on action, coordinated efforts among people, the allocation of adequate resources, and effective leadership to guide the organization.

A key aspect of strategy implementation is its **action-oriented nature**, which emphasizes accomplishing tasks and achieving results. It involves people at every level—managers, employees, and teams—working collaboratively to carry out assigned responsibilities. To enable effective execution, organizations must provide sufficient resources, including financial support, time, equipment, and the necessary skills. Leadership plays a vital role in motivating employees, maintaining alignment with organizational objectives, and ensuring everyone understands their role in achieving the strategic vision.

The process of implementing strategy typically follows a series of structured steps. First, goals are set by breaking the overall strategy into smaller, clear, and manageable targets. Next, tasks are assigned to the appropriate individuals or teams, followed by the provision of resources needed to perform these tasks efficiently. Organizational structures are then built or adjusted to align roles and responsibilities with strategic priorities. Monitoring progress is essential to ensure that the work stays on track, and continuous improvement allows the organization to address problems and make necessary adjustments. Despite careful planning, strategy implementation can fail due to poor communication, insufficient employee support, inadequate resources, weak leadership, or unclear responsibilities, highlighting the importance of comprehensive planning and effective management throughout the implementation process.

**Steps in Strategy Implementation**

| Step | Explanation |
|---|---|
| Set Goals | Turn big strategy into small, clear targets |
| Assign Tasks | Decide who will do each job |
| Provide Resources | Give budget, tools, and materials |
| Build Structure | Organize departments and roles |
| Monitor Work | Check if things are going as planned |
| Improve | Fix problems and make changes |

## Application

1. What were the key steps the organization took to implement its strategy, and how effective were they?
2. What challenges or obstacles affected the success of the strategy implementation?
3. What improvements or alternative actions could enhance the execution of the strategy?

## Closure

Strategy implementation is the bridge between planning and results, requiring careful alignment of resources, processes, and people. Success depends on leadership involvement, employee engagement, and the ability to adapt plans based on real-world challenges. Understanding these fundamentals prepares learners to anticipate obstacles and design effective execution plans.

As we move to the next lesson, *Managing Conflict*, it becomes clear that even the best-implemented strategies can face internal resistance or disputes. Recognizing and addressing conflict is therefore crucial to ensure smooth execution of strategic plans.

| Lesson 2: | Managing Conflict |
|---|---|

## Learning Outcomes

Students should be able to:

a) Define conflict in organizational settings and its sources.
b) Identify different conflict management styles and their appropriateness.
c) Apply conflict resolution strategies to real-world workplace scenarios.

## Time Frame: Week 12

## Introduction

Conflict is an inevitable part of organizational life. It arises from differences in values, goals, perceptions, or limited resources. While often perceived negatively, conflict can also drive innovation and improvement if managed effectively. Understanding conflict dynamics and management techniques is crucial for creating a productive and harmonious workplace.

Managers and employees must be equipped to recognize, assess, and resolve conflicts constructively. Effective conflict management prevents disruption, strengthens relationships, and improves organizational performance. This lesson examines types of conflicts, their causes, and strategies to manage them successfully.

## Activity

Title: Role-Playing Workplace Conflict
Objective:

- To understand different types of conflict and their sources.
- To practice applying conflict management strategies in realistic scenarios.

Instructions:

1. Divide students into small groups of 3–5.
2. Provide each group with a conflict scenario relevant to an organizational setting. Examples:
    - A disagreement between team members about project responsibilities.
    - Conflicting priorities between departments.
    - Resistance to change during a strategic initiative.
3. Each group should:
    - Identify the type and source of the conflict (task-related, relational, or process-oriented).
    - Choose a conflict management approach (collaboration, compromise, accommodation, competition, or avoidance) to resolve the conflict.

    - Role-play the scenario, demonstrating how the conflict can be addressed effectively.
4. Groups present their role-play to the class. After each presentation, facilitate a brief discussion on what worked, what could be improved, and alternative strategies.

Materials Needed:

- Conflict scenario handouts (digital or printed).
- Whiteboard or flipchart for notes.

Expected Learning Outcomes from Activity:

- Recognize different sources of conflict in organizations.
- Practice applying appropriate conflict resolution strategies.
- Develop communication, negotiation, and problem-solving skills.

## Abstraction

Conflict refers to a situation in which two or more parties experience a clash of interests, values, goals, or perspectives. It arises when individuals or groups perceive that their needs, desires, or concerns are incompatible, leading to tension and disagreement. Conflict is an inherent part of human interaction, existing in personal, organizational, and social contexts. Understanding the nature of conflict is crucial because it shapes relationships, affects decision-making, and influences overall productivity. Recognizing the sources of conflict, whether they are interpersonal, structural, or resource-based, allows individuals and organizations to address issues proactively rather than reactively.

While conflict is often viewed negatively, it can also serve as a catalyst for growth, innovation, and problem-solving when managed effectively. Constructive conflict encourages open communication, critical thinking, and collaboration, allowing parties to explore alternative solutions and reach mutually beneficial outcomes. By distinguishing between functional and dysfunctional conflict, organizations can harness the positive aspects of disagreements while minimizing destructive effects. Ultimately, understanding the meaning of conflict equips individuals with the insights needed to navigate differences, strengthen relationships, and foster a more resilient and adaptive environment.

### Causes of Conflict in Strategy Implementation

Conflict in strategy implementation arises when there is a misalignment between organizational goals, available resources, and individual or departmental interests. Differences in priorities, unclear roles, and inconsistent communication often lead to misunderstandings that hinder coordinated action. Additionally, the presence of rigid organizational structures or resistance to change can amplify disagreements, as employees may feel threatened by new strategies or fear increased workloads. Such conflicts are not merely interpersonal; they can be systemic, stemming from differences in functional objectives, resource allocation, or competing performance metrics.

Understanding the causes of conflict is critical to effective strategy implementation, as unresolved disputes can delay decision-making, reduce productivity, and compromise overall organizational performance. By identifying potential sources of friction—

ranging from leadership styles and cultural differences to inadequate communication channels—managers can proactively design interventions, foster collaboration, and align individual and organizational goals. Addressing these underlying causes ensures that strategies are executed efficiently and sustainably, ultimately supporting the organization's long-term objectives.

| Cause | Explanation |
|---|---|
| Change | Employees may resist new plans |
| Different Goals | Departments may want different results |
| Limited Resources | Not enough money or staff |
| Poor Communication | Messages are not clear |
| Personality Differences | People think and act differently |

Conflict in the workplace can take multiple forms, each affecting team dynamics and performance differently. Task conflict arises when team members have differing opinions about the work itself, such as goals, priorities, or problem-solving approaches, often stimulating debate that can improve decision-making if managed constructively. Relationship conflict, on the other hand, stems from personal issues, personality clashes, or emotional tensions, which can hinder collaboration and reduce morale. Process conflict occurs when there is disagreement over how tasks should be executed, including roles, responsibilities, and procedures, potentially causing delays or inefficiencies. Understanding these distinctions allows managers and teams to address conflicts appropriately, turning potentially disruptive situations into opportunities for growth, clarity, and improved teamwork.

**Ways to Manage Conflict**

| Method | Meaning |
|---|---|
| Communication | Talk openly and clearly |
| Compromise | Both sides give something |
| Collaboration | Work together to find a win-win solution |
| Avoidance | Ignore small issues |
| Leadership Support | Managers help solve problems |

Conflict is an inevitable part of any group or organizational setting, but effectively managing it is crucial to maintaining productivity and positive relationships. One key approach is communication, where parties openly and clearly express their perspectives, concerns, and expectations. Compromise involves both sides making concessions to reach a mutually acceptable solution, while collaboration focuses on jointly working to find a win-win outcome that satisfies everyone involved. Avoidance can also be strategic, allowing minor issues to be ignored when they are not worth escalating.

Another important element in managing conflict is the role of leadership support. Managers and leaders can guide the resolution process, mediate disputes, and provide resources or frameworks for addressing disagreements constructively. By combining these methods—clear communication, compromise, collaboration, selective avoidance, and active leadership involvement—organizations can turn conflicts into opportunities for growth, stronger teamwork, and improved decision-making. Effective conflict management not only resolves immediate issues but also strengthens the overall culture of trust and cooperation.

**Importance of Managing Conflict**

Effective conflict management is essential for fostering a collaborative and productive work environment. By addressing disagreements constructively, team members gain a deeper understanding of each other’s perspectives, which strengthens teamwork and encourages cooperation toward shared objectives. Managing conflict promptly also prevents unnecessary delays, ensuring tasks are completed efficiently and deadlines are met without confusion or wasted effort.

Moreover, fair and respectful handling of conflicts builds trust among team members, creating a sense of safety where individuals feel valued and confident to voice their ideas. This trust, combined with a harmonious and organized team dynamic, directly supports the successful implementation of strategies, allowing the team to focus on achieving organizational goals with greater clarity and effectiveness.

- **Improves teamwork** – Managing conflict helps group members understand each other better, work together smoothly, and cooperate toward the same goal.

- **Prevents delays** – Solving disagreements early avoids confusion and wasted time, so tasks can be finished on schedule.

- **Builds trust** – When conflicts are handled fairly and respectfully, members feel valued, safe to speak up, and more confident in the team.

- **Helps strategy succeed** – A peaceful and organized team can focus on plans and decisions, making it easier to achieve goals successfully.

**Application**

1.What are the common sources of conflict in organizations, and how do they affect teamwork?
2.Which conflict management strategies are most appropriate for different situations, and why?
3.How can constructive conflict be used to improve decision-making and organizational performance?

**Closure**

Conflict is a natural part of organizational life, and when managed effectively, it can become a source of growth, innovation, and stronger collaboration. Recognizing the type and source of conflict, and applying the right management strategies, ensures that disagreements do not derail organizational objectives.

This understanding of conflict management sets the stage for the next lesson, *Matching Structure with Strategy*. Organizational structure often influences the sources and resolution of conflict, so aligning structure with strategy is critical for smooth operations and effective strategy execution.

| Lesson 3: | Matching Structure with Strategy |
|---|---|

## Learning Outcomes

At the end of this lesson, you will be able to:

a. Define the concept of matching organizational structure with strategy.
b. Analyze Chandler's principle of "structure follows strategy.
c. Identify the most effective organizational structures for specific business strategies.
d. Explain the consequences of misalignment between structure and strategy.

## Time Frame: Week 13

## Introduction

Strategy implementation is not just about having a plan; it's about building the right vehicle to carry that plan forward. Matching organizational structure with strategy refers to aligning a firm's strategic objectives with how its activities, authority, and communication channels are organized. The central idea is that strategy determines the most appropriate structure, as an organization's design must support effective execution.

According to Chandler's principle, "structure follows strategy." Once an organization chooses a path—whether it is cost leadership, differentiation, or diversification—it must adopt a structure that enables coordination and efficient decision-making. A mismatch often leads to inefficiencies, role conflicts, and poor performance.

## Activity

**Title:** The Structural Blueprint Task

**Objective:** To help students identify which organizational structures best support different business goals.

**Materials:**

- Paper and pen

**Duration:** 20-30 minutes

**Procedure:**
Select one scenario:

- A fast-food chain aiming to become the lowest-cost provider in the country.
- A tech startup developing a revolutionary, high-end AI software.

- A massive corporation expanding into both the automotive and renewable energy sectors.

**Answer the following:**

1. Should decision-making be centralized (at the top) or decentralized (given to employees)?
2. What type of structure (Functional, Divisional, or Matrix) fits best?
3. What is one risk if the company chooses the wrong structure?

**Share:** Selected students will present their "blueprint" to the class.

## Abstraction

To achieve strategic success, managers must ensure that the "bones" of the company (the structure) support the "brain" (the strategy).

### Strategy–Structure Alignment

Different strategies require different structural arrangements:

**1. Cost Leadership Strategy:**
To achieve cost leadership, organizations must align their structure to prioritize efficiency, standardization, and strict cost control. A functional and centralized structure is most effective, concentrating authority at the top to reduce redundancy, optimize resource use, and exploit economies of scale. By tightly controlling processes and decision-making, managers can maintain low costs while ensuring operational consistency across the organization.

**2. Differentiation and Innovation Strategy:**
For differentiation and innovation, companies require a structure that fosters flexibility, creativity, and rapid responsiveness to changing market conditions. Decentralized and organic arrangements, often using cross-functional teams, allow employees at various levels to contribute ideas and make decisions quickly. This alignment between strategy and structure supports continuous innovation and the development of unique products or services that differentiate the firm in competitive markets.

**3. Diversification Strategy:**
A diversification strategy, which involves managing multiple products or markets simultaneously, necessitates a divisional structure. By creating semi-autonomous divisions focused on distinct product lines or geographic markets, organizations empower managers to respond to specific customer needs while maintaining overall strategic coherence. This structure enables both accountability and specialization, allowing the company to balance complexity with operational effectiveness.

**4. Global Strategy:**
Implementing a global strategy requires balancing worldwide integration with local

responsiveness, which calls for a geographic or matrix structure. Such a structure coordinates operations across countries while allowing adaptation to local cultural, legal, and market conditions. By aligning strategic objectives with structural design, firms can achieve efficiency on a global scale without sacrificing the flexibility needed to meet local market demands.

**Importance of Alignment**

A well-aligned organizational structure is critical because it ensures that the company's design effectively supports its strategic objectives. By matching structure to strategy, organizations improve coordination and communication across teams, streamline decision-making processes, and minimize conflicts and confusion. This alignment not only clarifies roles and responsibilities but also creates an environment where resources are optimally utilized, enabling the organization to execute its strategy more efficiently and successfully achieve its goals.

- Improves coordination and communication.
- Enhances decision-making efficiency.
- Reduces conflict and confusion.
- Supports the achievement of strategic goals.

## Application

Explain Chandler's principle "structure follows strategy" in your own words.

1. Why would a centralized functional structure be a "bad fit" for a company trying to innovate quickly?
2. What are the primary symptoms of an organization that has failed to align its structure with its strategy?

## Closure

This lesson highlights that a brilliant strategy is only as good as the structure supporting it. Strategy defines what the organization seeks to achieve, while structure determines how those goals are pursued. Managers must continuously evaluate and adjust these structures to ensure they remain a bridge, rather than a barrier, to success.

## Lesson 4: Production/Operations Concerns when Implementing Strategies

**Learning Outcomes**

At the end of this lesson, you will be able to:

a) Identify key production and operations issues that arise during strategy implementation;

b) Analyze how operational decisions affect the success or failure of business strategies;

c) Explain the role of production planning, capacity, quality, and technology in executing strategies; and

d) Propose solutions to common production and operations challenges faced by organizations.

**Time Frame: Week 13**

### Introduction

Implementing business strategies does not stop at planning—it requires effective execution, particularly in the area of production and operations. Even the best strategies can fail if operational systems are inefficient, resources are poorly managed, or production capacities are misaligned with strategic goals.

In this lesson, students will explore common production and operations concerns encountered when organizations implement strategies, such as capacity constraints, quality control issues, supply chain disruptions, technology limitations, and workforce efficiency. Understanding these concerns is essential because production and operations serve as the backbone that transforms strategic plans into actual products and services delivered to customers.

Through discussions and activities, learners will gain insights into how managers align operational processes with strategic objectives to ensure efficiency, consistency, and competitiveness.

### Activity

**Title:** Strategy to Operations Simulation

**Objective:**
To help students understand how production and operations concerns affect strategy implementation in real-world business settings.

**Materials Needed:**

- Paper
- Ballpen

**Duration:** 30–40 minutes

**Procedure / Analysis**

1. **Group Formation:**
   Divide the class into small groups of 6–8 students. Each group will act as the management team of a company implementing a new strategy.

2. **Scenario Assignment:**

   Each group will receive a business scenario, such as:

   -A manufacturing firm expanding production to meet increased demand

   -A food business implementing a cost-leadership strategy

   -A retail company adopting new production technology

   -A company experiencing delays due to supply chain issues

3. **Task:**

   Each group will identify:

   -The strategy being implemented

   -At least three production/operations concerns involved

   -Possible solutions to address these concerns

4. **Presentation:**

   Groups will briefly present their analysis to the class. Other students may give feedback or suggest alternative solutions.

## <u>Abstraction</u>

**Production and Operations in Strategy Implementation:**

Production and operations management focuses on converting inputs—such as raw materials, labor, equipment, and technology—into finished goods or services. Strategy implementation requires that these operational activities are aligned with strategic objectives.

Key production and operations concerns include:

1. **Production Planning and Scheduling:** Inefficient planning or scheduling can lead to delays, bottlenecks, or underutilized resources, affecting the timely execution of strategic objectives.

**Solutions:**

• Advanced planning and scheduling systems

• Real-time data monitoring

• Contingency planning and equipment support contracts

2. **Quality Control:** Poor quality management can result in defective products or services, damaging customer satisfaction and undermining strategic goals.

**Solutions:**

• Total Quality Management (TQM)

• Statistical Process Control (SPC)

• Regular employee training

3. **Cost Management:** Uncontrolled production costs can erode profit margins and make strategy implementation financially unsustainable.

**Solutions:**

• Cost–benefit analysis

• Bulk purchasing

• Lean manufacturing practices

4. **Inventory Management:** Mismanaged inventory can cause stockouts or overstocking, disrupting operations and hindering strategy execution.

**Solutions:**

• Just-in-Time (JIT) systems

• Demand forecasting tools

• Strong supplier relationships

5. **Technology and Automation:** Inadequate or outdated technology can slow processes, reduce efficiency, and prevent the successful deployment of new strategies.

**Solutions:**

• Modular automation investments

• Continuous technical training

• Vendor collaboration

6. **Workforce Management:** Lack of skilled labor, improper allocation, or low employee motivation can reduce productivity and obstruct strategy implementation.

**Solutions:**

• Employee development programs

• Flexible work arrangements

• Workforce scheduling systems

7. **Supply Chain Management:** Disruptions or inefficiencies in the supply chain can delay production and delivery, impacting the achievement of strategic targets.

**Solutions:**

• Supplier diversification

• Supply chain visibility tools

• Strategic supplier partnerships

8. **Communication and Coordination:** Poor communication between departments can cause misunderstandings, duplication of work, or missed deadlines, compromising operational effectiveness.

**Solutions:**

• Collaborative platforms

• Regular cross-functional meetings

• Transparent operational communication

**Production and Operations Adjustments in Response to Strategic Implementation**

Changes in organizational strategy often have a direct impact on production and service systems, requiring careful adjustments to ensure smooth implementation. Whether an organization is developing new products, expanding into new markets, integrating operations, or diversifying, its production and operations functions must adapt to meet strategic objectives. The table below illustrates examples of how different organizations adjust their systems in response to various strategies, highlighting the operational considerations essential for successful strategy implementation:

| Type of Organization | Strategy Being Implemented | Production/Operations Adjustments Required |
|---|---|---|
| **Hospital** | Adding a TB Center (Product Development) | Procure specialized medical equipment, train or hire skilled personnel, and adjust workflow to accommodate new services |
| **Bank** | Opening ten new branches (Market Development) | Plan branch layouts, hire staff, implement new banking systems, and coordinate logistics for operational consistency |
| **Computer Company** | Purchasing a retail distribution chain (Forward Integration) | Update inventory and logistics systems, redesign packaging and shipping processes, and integrate IT systems across locations |
| **Steel Manufacturer** | Acquiring a fast-food chain (Conglomerate Diversification) | Implement quality control protocols, adjust production schedules, and align supply chain management with the new business line |

In conclusion, production and operations concerns play a critical role in successfully implementing organizational strategies. As demonstrated, any strategic shift—whether expanding services, entering new markets, integrating forward, or diversifying—requires careful adjustments in production and service systems to ensure efficiency, quality, and alignment with organizational goals. Recognizing and addressing these operational considerations enables organizations to translate strategic plans into actionable results, ultimately driving growth, customer satisfaction, and long-term success.

## Application

1. Explain why production and operations concerns are critical in strategy implementation.

2. Identify one operational challenge and recommend an appropriate solution.

3. How can effective production planning support strategic objectives?

## Closure

Congratulations! You are now familiar with the key production and operations concerns when implementing strategies. A clear understanding of production and operations concerns enables organizations to translate strategies into effective action. Aligning operational systems with strategic goals ensures efficiency, quality, and sustainable performance.

## Lesson 5: Human Resource Concerns when Implementing Strategies

### Learning Outcomes

At the end of this lesson, you will be able to:

a. Identify key human resource issues that arise during strategy implementation

b. Analyze how human resource practices affect strategy execution

c. Explain the role of leadership, skills, motivation, and culture in implementing strategies

d. Propose solutions to common human resource challenges

### Time Frame: Week 13

### Introduction

Human resources are the backbone of any organization's strategic success. While strategic plans outline goals and initiatives, it is the people within the organization who turn these plans into action. Effective strategy implementation depends not only on processes and operations but also on ensuring that employees are capable, motivated, and aligned with organizational objectives. Without addressing HR concerns, organizations risk facing resistance to change, skill gaps, low morale, and inefficiencies that can derail even the most well-designed strategies.

In this lesson, we explore how human resource practices—such as recruitment, training, performance management, motivation, and organizational culture—directly influence the execution of strategies. By understanding these concerns, managers and leaders can create an environment where employees are empowered to contribute to strategic goals. The lesson highlights the critical connection between human capital and organizational performance, demonstrating that people are not just resources—they are the key drivers of strategic success.

### Activity

**Title:** People and Strategy Reflection Task

**Objective:**

To help students recognize human resource concerns during strategy implementation and suggest simple solutions.

**Materials Needed:**

Paper and ballpen

**Duration:**

20–30 minutes

**Procedure:**

1. Each student selects one situation:

   • A company introducing a new work policy

   • An organization implementing performance-based incentives

   • A business adopting new technology

2. Students answer:

   • What human resource concern may arise?

   • How might employees respond?

   • What should management do to support employees?

3. Selected students share their answers. The instructor summarizes key points.

## Abstraction

Human resources are the critical enablers of strategy. The alignment of talent, skills, motivation, and organizational culture determines whether strategic objectives are realized. HR concerns encompass recruitment of the right competencies, training for new skills, performance management systems, incentives, and employee engagement. Without addressing these, even the most carefully crafted strategies may fail due to resistance, low morale, or misalignment of effort.

This lesson underscores that people are at the heart of strategy execution. HR interventions must be deliberate and integrated, linking individual performance to organizational goals. Effective communication, leadership support, and culture management ensure that employees not only understand strategic priorities but are committed to achieving them. Ultimately, strategic success hinges on mobilizing human capital, fostering collaboration, and creating an environment where employees are empowered to act in alignment with organizational objectives.

**Key Human Resource Concerns:**

**Employee Resistance to Change**
Employee resistance often arises from fear, uncertainty, or lack of understanding about new strategies. Overcoming this challenge requires transparent communication, involving employees in the change process, and providing structured change management support. By addressing concerns early, organizations can foster acceptance and reduce barriers to effective strategy execution.

**Leadership and Management Support**
Effective strategy implementation depends heavily on active leadership and

managerial guidance. Managers serve as role models and facilitators, ensuring employees understand their responsibilities and remain aligned with organizational objectives. Providing leadership training, clarifying roles, and supporting managers in their decision-making strengthens overall execution.

**Skills and Competency Gaps**
New strategies often demand updated skills or specialized knowledge, and gaps can hinder performance. Organizations must identify these gaps and implement targeted training, coaching, and professional development programs. Enhancing employee competencies ensures they are equipped to execute strategies efficiently and confidently.

**Motivation and Reward Systems**
Employee engagement and commitment are strongly influenced by how well motivation and rewards align with strategic goals. Incentives, recognition programs, and performance-based rewards encourage behaviors that support implementation, fostering a culture of accountability and sustained effort toward achieving organizational objectives.

**Organizational Culture**
Organizational culture shapes how employees perceive and respond to change. A culture that reinforces values aligned with strategic goals facilitates smoother adoption and commitment. Cultivating a supportive environment, promoting shared values, and embedding strategic priorities into daily practices ensures that culture becomes an enabler rather than a barrier to strategy execution.

## Application

1. Why are human resource concerns important in strategy implementation?

2. Identify one HR challenge and recommend a solution.

3. How does leadership influence strategy execution?

## Closure

This final lesson emphasizes that strategies succeed because of people. Understanding human resource concerns allows organizations to bridge the gap between planning and execution. Aligning leadership, skills, motivation, and culture with strategic goals ensures sustainable success.

## Module Assessment

The module assessment for Module 6 will consist of multiple-choice questions and short answer questions. This assessment aims to evaluate students' understanding of the key concepts covered in the module's lessons.

**Part 1. Multiple- Choice Questions**

1. Which of the following best describes strategy implementation?
A. Developing long-term goals for an organization
B. The process of allocating resources and executing plans to achieve strategic objectives
C. Conducting external market analysis to identify opportunities
D. Monitoring competitor activities only

2. Which factor is most critical for successful strategy implementation?
A. Employee engagement and commitment
B. The age of the organization
C. The number of competitors
D. The location of the headquarters

3. Which conflict management style emphasizes cooperation and collaboration to achieve a win-win solution?
A. Avoidance
B. Accommodation
C. Collaboration
D. Competition

4. A disagreement between two departments over resource allocation is an example of:
A. Relational conflict
B. Task-related conflict
C. Process conflict
D. Personal conflict

5Why is it important to align organizational structure with strategy?
A. To ensure strategic goals are supported by clear responsibilities and decision-making channels
B. To reduce employee salaries
C. To eliminate the need for leadership
D. To increase market competition

6. A company that organizes teams around product lines rather than functions is using which type of structure?
A. Functional structure
B. Divisional structure
C. Matrix structure
D. Flat structure

7. Which operational concern is most likely to affect strategy implementation?
A. Employee birthday celebrations
B. Production capacity and workflow bottlenecks
C. Number of shareholders
D. Historical company awards

8. Why is operational planning critical during strategy implementation?
A. It ensures that resources, processes, and schedules align with strategic objectives
B. It allows employees to avoid responsibilities
C. It eliminates the need for leadership
D. It focuses solely on external market research

9. Which HR practice directly supports strategy implementation by ensuring employees have the necessary skills?
A. Performance appraisal
B. Recruitment and training
C. Payroll management
D. Office layout design

9. A company introducing a new strategy without informing or training employees is likely to experience:
A. Smooth implementation
B. High employee engagement
C. Resistance and implementation failure
D. Immediate financial growth

**Short Answer Questions**

1.How can an organization ensure that its strategic plans are successfully translated into actionable results?
2.How can conflict be managed constructively to improve teamwork and organizational performance?
3.Why is aligning organizational structure with strategy critical for achieving strategic goals?
4.What operational challenges can hinder strategy implementation, and how can they be addressed?
5.How can human resource practices be leveraged to ensure employees are engaged and capable of executing strategic initiatives?

## Module Summary

Module 6 focused on the critical process of implementing strategies and the management issues that arise when strategic plans are translated into action. The module emphasized that successful strategy implementation goes beyond planning and requires effective leadership, coordination, communication, and resource management. Students were introduced to the nature of strategy implementation and learned why even well-designed strategies may fail if execution is weak.

The module also examined key internal challenges that affect implementation, including managing conflict, aligning organizational structure with strategy, and addressing production/operations and human resource concerns. Through discussions, activities, and applications, students gained a deeper understanding of how organizational systems, people, and processes must work together to support strategic goals. Overall, this module highlighted that effective strategy implementation is essential for organizational performance, competitiveness, and long-term success.

## References

David, F. R., David, F. R., & David, M. E. (2020). Strategic management: A competitive advantage approach (17th ed.). Pearson.

Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2021). Fundamentals of human resource management (9th ed.). McGraw-Hill.

Robbins, S. P., & Judge, T. A. (2020). Organizational behavior (18th ed.). Pearson.

Wheelen, T. L., Hunger, J. D., Hoffman, A. N., & Bamford, C. E. (2018). Strategic management and business policy (15th ed.). Pearson.

## MODULE 7: IMPLEMENTING STRATEGIES: MARKETING, FINANCE/ACCOUNTING, R&D, AND MIS ISSUES

### Module Overview

This module, Implementing Strategies: Marketing, Finance/Accounting, R&D, and MIS Issues, explores how organizations translate strategic plans into actionable initiatives across key functional areas. It emphasizes the importance of aligning marketing strategies, financial and accounting controls, research and development efforts, and management information systems with overall corporate objectives. Students will gain insights into how each function contributes to strategy execution, the challenges they may encounter, and the tools and frameworks that support effective implementation.

The module also examines the interdependencies among these functional areas, highlighting how decisions in one domain can impact others. By analyzing case studies and real-world examples, learners will understand how marketing campaigns, financial management, innovation initiatives, and information systems must be coordinated for optimal performance. Practical applications, such as budgeting, market analysis, R&D project evaluation, and MIS integration, will equip students with the skills to navigate complex organizational environments and drive successful strategy implementation.

### Module Objectives/Outcomes

At the end of the module 7, you will be able to:

a. Understand how strategies are carries out in key functional areas such as marketing, finance/accounting, research and development, and management information systems.
b. Identify common issues in each functional area that affect the successful implementation of strategies.
c. Explain how coordination among different functional areas supports the achievement of organizational goals.

### Lessons in the Module:

Lesson 1: Marketing Issues

Lesson 2: Finance/Accounting Issues

Lesson 3: Research and Development Issues

Lesson 4: Management Information System Issues

**Lesson 1: Marketing Issues**

## Learning Outcomes

At the end of this lesson, you are expected to:

a. Explain how marketing strategies, including social media and product positioning, are implemented to improve customer engagement and firm performance.
b. Identify key marketing issues and use market segmentation to determine target audiences.
c. Assess how modern marketing principles enhance customer loyalty and competitive advantage.

## Time Frame: Week 14

## Introduction

Marketing is a critical function in any organization, serving as the bridge between a company’s products or services and its customers. In today’s dynamic business environment, firms face a variety of marketing issues that can impact their ability to attract, retain, and satisfy customers. These challenges range from understanding changing consumer preferences, navigating competitive pressures, to adapting to technological advancements such as digital marketing and e-commerce platforms. Addressing marketing issues effectively is essential for achieving organizational goals and sustaining growth.

One of the key marketing issues organizations encounters is the rapidly evolving digital landscape. Social media, search engines, and other online platforms have transformed how companies engage with customers, creating both opportunities and challenges. Firms must balance traditional marketing approaches with digital strategies while ensuring consistent messaging across all channels. Additionally, market segmentation, product positioning, and branding are crucial areas where firms often struggle to differentiate themselves in highly competitive markets.

Another important aspect of marketing issues involves adapting to market trends and consumer behavior. Shifts in customer expectations, economic conditions, and global competition require firms to continuously innovate and refine their marketing strategies. Companies that fail to recognize and respond to these changes risk losing market share and customer loyalty. This lesson will explore the most pressing marketing issues in today’s business environment, equipping students with the knowledge and tools to analyze challenges and implement effective marketing strategies.

## Activity

**Title*: "Marketing in Real Life"***

Think of a brand or product they recently saw online (on TikTok, Instagram, YouTube, etc.).

**Guide Questions (answer this):**

1. Nature of Strategy Implementation: How does this brand turn its marketing plans into actual actions?
2. Social Media Marketing: What social media platform is the brand using most, and why do you think it works?
3. Current Marketing Issues: What challenge might this brand face in today's market (competition, changing trends, customer trust)?
4. Marketing Segmentation: Who do you think is the target market for this product?
5. Product Positioning: How is the product positioned in customers' minds (cheap, premium, trendy, reliable, etc.)?

## Abstraction:

### Marketing Issues

Marketing is a vital component of strategy implementation, as it directly influences how organizations connect with their customers and achieve business objectives. Effective marketing strategies ensure that products and services meet the needs of the target audience while supporting overall corporate goals. However, organizations often face a variety of marketing issues that can hinder these efforts. These issues range from rapidly changing consumer preferences to intense market competition, making it essential for firms to continuously adapt their strategies to remain relevant.

One major marketing issue is understanding and responding to evolving consumer behavior. Customers today are more informed, selective, and digitally connected than ever before. For instance, the rise of e-commerce has shifted buying patterns, with many consumers preferring online shopping over traditional retail. Companies like **Amazon** and **Zalora** have successfully leveraged this trend by using personalized recommendations and targeted promotions, illustrating how aligning marketing strategies with consumer behavior can drive engagement and sales.

Digital transformation presents both opportunities and challenges for organizations. Social media marketing, search engine optimization, and online advertising allow firms to reach global audiences efficiently. However, the fast-paced nature of digital platforms requires constant monitoring and content adaptation. A practical example is **Coca-Cola**, which tailors its social media campaigns to different regions and audiences, creating a balance between global branding consistency and local relevance. Firms that fail to adapt to these digital marketing trends risk losing visibility and competitiveness.

Another critical marketing issue is market segmentation and product positioning. Identifying the right customer segments and positioning products effectively can determine the success or failure of a marketing campaign. For example, **Apple** targets premium consumers by emphasizing innovation, design, and ecosystem integration, differentiating itself from competitors in the smartphone and computer markets. Companies that overlook segmentation risk wasting resources on ineffective campaigns or alienating potential customers.

Competition and brand differentiation are ongoing challenges for businesses. In saturated markets, distinguishing a product from rivals requires a clear value proposition and consistent messaging. Companies like **Nike** maintain a competitive edge through branding, sponsorships, and lifestyle marketing, which reinforces customer loyalty and brand identity. Understanding these marketing issues helps organizations allocate resources efficiently and create strategies that reinforce their position in the market.

Finally, marketing issues are closely linked to other functional areas of strategy implementation, such as finance, R&D, and management information systems. Budget constraints, for example, can limit marketing campaigns, while insights from R&D help develop innovative products that meet customer needs. Management information systems provide the data needed to track campaign performance and consumer trends. Recognizing the interdependencies among these functions ensures that marketing strategies are not only well-planned but also executable, measurable, and aligned with overall business objectives.

## Application:

1. Why can a good business strategy fail if marketing is not properly implemented? Explain in one or two sentences.
2. How does social media marketing help firms turn marketing plans into real actions?
3. Give one example of a current marketing issue that can affect a company's performance?
4. How does market segmentation help firms use their resources more effectively?

---

## Closure

Congratulations on completing Lesson 1: Marketing Issues. You have learned how marketing plays a vital role in the successful implementation of strategies, particularly in understanding customers, addressing current marketing challenges, and applying concepts such as social media marketing, market segmentation, and product positioning.

These concepts are essential in helping organizations translate plans into actions and achieve their strategic goals. As you move forward to the next lessons, keep in mind that effective marketing decisions support not only customer satisfaction but also overall organizational performance. You are now ready for the next lesson on "Finance/Accounting Issues."

## Lesson 2: Finance/Accounting Issues

## Learning Outcomes

At the end of this lesson, learners should be able to:

1. Translate strategies into actionable financial plans.
2. Monitor costs and performance during implementation.
3. Handle accounting challenges like variances and budgeting.

## Time Frame: Week 14

## Introduction

Finance and accounting are the backbone of any organization's strategy implementation. They provide the necessary information and resources to ensure that strategic plans are not only feasible but also sustainable. Understanding financial statements, budgeting, and cost management enables managers to make informed decisions, allocate resources efficiently, and monitor performance against organizational goals. Without a strong grasp of finance and accounting principles, even the best strategies can fail due to poor execution or mismanagement of resources.

In the contemporary business environment, finance and accounting issues have become increasingly complex. Organizations must navigate regulatory requirements, financial reporting standards, taxation, and risk management while maintaining transparency and accountability. Strategic decision-making relies heavily on accurate financial data, which serves as a guide for investments, pricing strategies, and operational planning. The integration of finance and accounting into the broader strategic framework ensures that every initiative aligns with the organization's financial health and long-term objectives.

## Activity

**Title: "Fix the Error Drill"**
**Objective:** Correct an unbalanced equation and recalculate equity after spotting the mistake.

**Setup**: Butuan Concrete Co. reports: Assets ₱100,000 (Cash ₱40K, Inventory ₱60K); Liabilities ₱45,000. Equity? (Wrong: reported as ₱60K—error!).

**Instructions**:

- Teams of 3
- Apply equation: Assets = Liabilities + Equity → Equity = ₱55,000.

- Fix error: Reduce inventory by ₱5K overstatement (actual ₱55K). New equity: ₱50,000.
- Impact: Strategy needs accurate equity for loan decisions—low equity risks funding denial.

## Abstraction

Finance and accounting are essential functional areas that directly influence the successful implementation of organizational strategies. They provide the tools and frameworks needed to manage resources effectively, monitor financial performance, and ensure that strategic objectives are achievable and sustainable. A strong foundation in finance and accounting allows managers to make informed decisions, align budgets with organizational priorities, and assess the viability of various strategic initiatives.

One of the key roles of finance and accounting in strategy implementation is resource allocation. Organizations must prioritize projects, investments, and operational expenses based on financial feasibility and expected returns. Proper budgeting and cost management ensure that limited resources are used efficiently while supporting both short-term goals and long-term growth. This function also involves monitoring cash flows, analyzing financial ratios, and evaluating performance metrics to maintain financial stability.

Financial reporting and compliance are critical components of effective strategy execution. Organizations must adhere to regulatory requirements, accounting standards, and internal control procedures to maintain transparency and accountability. Accurate financial statements and reports provide stakeholders with insights into organizational performance and enable managers to identify potential risks, forecast trends, and make strategic adjustments when necessary.

Risk management is another area where finance and accounting play a vital role. Identifying, evaluating, and mitigating financial risks—such as market fluctuations, credit risks, and operational uncertainties—helps organizations protect assets and maintain strategic momentum. By integrating risk analysis into decision-making processes, firms can minimize disruptions and optimize resource utilization across all functional areas.

The integration of technology in finance and accounting, particularly through management information systems (MIS), has transformed strategic implementation. Automated accounting tools, real-time reporting, and predictive analytics allow managers to access accurate and timely financial data. This integration not only improves efficiency but also enables cross-functional collaboration by linking finance with marketing, R&D, and operations to support cohesive strategy execution.

Ultimately, understanding finance and accounting issues equips managers with the knowledge to align financial decisions with broader organizational goals. By leveraging financial insights, organizations can optimize performance, enhance competitiveness, and ensure sustainable growth. This lesson prepares learners to navigate complex financial environments, address challenges in strategy implementation, and contribute to achieving organizational objectives across multiple functional areas.

**Key Accounting Issues**

- Inaccurate bookkeeping from manual errors or outdated records leads to poor decision-making and compliance risks.
- Payroll discrepancies, revenue recognition errors, and missing internal controls increase fraud vulnerability.
- Regulatory non-compliance, like tax filing mistakes, results in fines, particularly burdensome for Philippine SMEs navigating VAT and local taxes.

**Prominent Finance Problems**

- Cash flow volatility disrupts operations due to late customer payments, fluctuating revenues, and unplanned expenses in manufacturing.
- Limited access to credit and poor financial forecasting hinder growth for SMEs

**Key Finance/Accounting Decisions**

- Strategic implementation requires resolving these interconnected issues:
- Capital Budgeting: Evaluate investments using NPV, IRR; prioritize projects fitting strategy.
- Capital Structure: Balance debt/equity via EPS/EBIT analysis to minimize costs while supporting growth.
- Working Capital Management: Optimize inventory, receivables, payables for liquidity without sacrificing sales.
- Dividend Policy: Decide payouts vs. reinvestment based on profitability and expansion needs.
- Leasing vs. Buying: Assess fixed assets for cash flow efficiency in manufacturing

Keys to addressing finance and accounting issues involve automation, process optimization, and expert support to boost accuracy and profitability in SMEs, especially manufacturing. Proactive strategies like regular reviews and digital tools help mitigate risks effectively.

**Accounting Solutions**

- Adopt digital accounting software for automated bookkeeping, real-time reconciliation, and error reduction to ensure accurate records.
- Engage external accountants or tax experts for compliance with complex regulations, such as Philippine VAT, minimizing penalties.

- Standardize processes with AP automation using OCR to handle invoices, cutting duplicate payments and manual errors.

**Finance Strategies**

- Improve cash flow by negotiating better supplier terms (e.g., net 60), optimizing inventory, and using AR factoring for quick liquidity.
- Implement rigorous forecasting and ROI analysis for investments, balancing growth with cash reserves via leasing options.

Finance and accounting challenges arise across businesses, encompassing difficulties in financial reporting, cost control, regulatory compliance, cash flow management, and risk mitigation. These issues typically stem from imprecise data management, technological deficiencies, economic pressures, and evolving standards, ultimately impairing strategic decision-making and organizational performance.

## Application

1.How do finance and accounting functions support the successful implementation of organizational strategies?

2.Why is accurate financial reporting and compliance critical in strategic decision-making?

3.How can technology and management information systems improve financial management and strategy execution?

## Closure

Excellent work, students! You've mastered the core concepts of Finance and Accounting Issues and are prepared for the next lesson!

| Lesson 3: | Research and Development Issues |
|---|---|

## Learning Outcomes

At the end of this lesson, learners should be able to:

a.) Define Research and Development.
b.) Explain what Research and Development issues are all about.
c.) Identify common issues associated with Research and Development.
d.) Explain how to Manage Research and development Issues.

## Time Frame: Week 15

## Introduction

Research and Development (R&D) is a fundamental activity that supports innovation, economic growth, and technological advancement in organizations and nations. Through systematic research and the application of knowledge, organizations are able to develop new products, improve existing processes, and respond to changing societal and market needs (OECD, 2015).

Despite its importance, Research and Development is often affected by various challenges. These challenges, commonly referred to as Research and Development issues, can limit the effectiveness, efficiency, and sustainability of R&D activities. Understanding these issues is essential for effective planning, decision-making, and successful innovation.

## Activity

**Title: "*R&D Time*"**
**Objective**: Develop and Implement Strategies to Address R&D Issues

**Instructions**:
1. Select a Product: Identify a simple product, such as a new phone case, water bottle, or bag.
2. Identify what R&D Issue: Determine a major obstacle in developing this product.
3. Develop a Strategic Solution: Propose a plan to address this challenge, considering the information mentioned below.
4. Present Your Strategy: Share with a partner or the class:

- Product: [your product]
- Issue: [your issue]
- Strategic Solution: [your plan]

## Abstraction

**Research and Development (R&D)** refers to systematic and creative activities undertaken to increase knowledge and apply that knowledge to develop new or improved products, services, or processes (OECD, 2015). Research focuses on discovering new ideas or information, while development involves applying research findings to practical use.

**Research and Development issues** are the challenges and problems that arise during the planning, execution, and application of R&D activities. These issues affect both the research phase and the development phase and can influence the success or failure of innovation efforts. Common Research and Development issues include high financial costs, uncertainty of research outcomes, lack of skilled personnel, ethical concerns, technological limitations, and problems related to intellectual property protection. These issues may result in delayed projects, wasted resources, or failure to achieve desired research objectives.
Understanding Research and Development issues enables organizations, researchers, and policymakers to manage risks effectively, allocate resources wisely, and promote responsible and sustainable innovation.

### Purpose and Importance of R&D

- **Innovation**: Generates new ideas, products, technologies, and services.
- **Competitive advantage**: Helps organizations remain ahead in fast-changing markets.
- **Efficiency**: Improves processes, reduces costs, and increases productivity.
- **Knowledge creation**: Expands understanding and provides evidence-based insights.
- **Economic growth**: Supports industrial development and national competitiveness.
- **Problem-solving**: Offers practical solutions to societal, technical, and business challenges.
- **Sustainability**: Promotes environmentally friendly and socially responsible solutions.

### Common Research and Development Issues

- **Financial Constraints** - R&D activities require significant investment in equipment, materials, technology, and human resources. High costs and limited funding are major barriers to sustained research efforts, especially in developing economies.
- **Uncertainty and Risk** - The outcomes of R&D projects are often uncertain. Research may not produce expected results, making R&D a high-risk activity with no guaranteed return on investment.

- **Human Resource Challenges** - Successful R&D depends on skilled and knowledgeable researchers. A shortage of qualified personnel, inadequate training, or poor collaboration can negatively affect research productivity.
- **Ethical Issues** - Ethical challenges in R&D include data misuse, lack of informed consent, environmental harm, and safety concerns. Ethical misconduct can damage public trust and lead to legal consequences.
- **Technological Challenges** - Rapid technological change can make research outcomes obsolete before they are fully developed or commercialized, reducing the value of R&D investments.

**How to Avoid the Negative Effects of R&D Issues**

- **Improve R&D Planning and Management** - organizations should set clear R&D goals, timelines, and budgets, and use stage-gate or milestone-based approaches to reduce uncertainty and control costs.
- **Invest in Skills and Talent** - continuous training, knowledge sharing, and collaboration with universities and research institutions help address skill shortages and improve innovation quality.
- **Global Collaboration** - collaboration across countries and institutions is becoming more common in R&D. Shared knowledge and resources reduce costs and risks. This approach accelerates innovation and problem-solving.
- **Focus on Sustainability** - R&D is increasingly centered on sustainable and environmentally friendly solutions. Companies are developing green technologies to meet regulatory and consumer demands. This trend supports long-term environmental and economic goals.
- **Digitalization and Automation** - digital tools such as AI and data analytics are transforming R&D processes. They improve accuracy, reduce experimentation time, and enhance decision-making. This leads to faster and more efficient innovation.

**Research and Development** is essential for innovation and progress, but it is affected by several issues such as financial constraints, uncertainty, ethical concerns, and lack of skilled manpower. Understanding **Research and Development issues** helps organizations and researchers plan effectively, manage risks, and promote sustainable innovation.

**<u>Application</u>**

1.What role does finance play in ensuring effective strategy implementation?
2.How do accounting practices help organizations monitor performance and manage resources?
3.In what ways can technology enhance financial decision-making and reporting?

**Closure**

Congratulations, students! Job well done! You are now familiar with the key concepts of Research and Development issues, and you are ready to move on to the next lesson.

| Lesson 4: | Management Information System Issues |
|---|---|

## Learning Outcomes

At the end of this lesson, you are expected to:

a) Define Management Information Systems and their role in organizations.
b) Identify and explain common MIS issues.
c) Analyze the impact of MIS issues on organizational performance.
d) Apply ethical and managerial considerations in addressing MIS issues.

## Time Frame: Week 15

## Introduction

Management Information Systems (MIS) are vital tools that help organizations collect, process, and analyze data to support strategic decision-making. By providing timely and accurate information, MIS enables managers to monitor performance, identify trends, and make informed decisions that align with organizational goals. Understanding MIS issues is critical because system failures, data inaccuracies, or poor integration can disrupt operations and hinder the successful implementation of strategies across functional areas like marketing, finance, and R&D.

In today's fast-paced business environment, organizations rely heavily on MIS for competitive advantage. Challenges such as cybersecurity threats, system compatibility, data management, and user adoption can impact how effectively information systems support organizational objectives. This lesson explores key MIS issues, including system design, data reliability, and integration with other functional areas, while highlighting strategies and best practices to optimize information management for efficient and effective strategy execution.

## Activity

**Title: "*Identifying and Analyzing MIS Issues in Organizations*"**
**Type:** Individual or Group Activity
**Time Allotment:** 30–45 minutes
**Objective:** This activity aims to help students apply their understanding of Management Information System (MIS) issues by identifying real-world problems and proposing practical solutions.

**Instructions:**
1. Choose an organization (e.g., school, bank, hospital, government office, small business, or online store).
2. Identify at least three (3) MIS issues experienced or possibly experienced by the organization.
3. For each issue, explain:
- The cause of the MIS issue
- Its impact on the organization's operations or decision-making

- A possible solution to address the issue
4. Present your answers in a short-written report or oral presentation.

**Guide Questions:**

1. What type of information system is used by the organization?
2. How do MIS issues affect employees, managers, or customers?
3. What strategies can improve the effectiveness of the MIS?

## Abstraction

### Management Information System (MIS)

Management Information System (MIS) refers to a computer-based system that provides managers with the tools to organize, evaluate, and efficiently manage information for decision-making. MIS integrates people, processes, data, and technology to support planning, controlling, and operational functions within an organization (Laudon & Laudon, 2020).

### Major Issues in Management Information Systems

1. **Data Security and Privacy Issues**
   One of the most critical MIS issues is protecting organizational and personal data. Cyberattacks, data breaches, and unauthorized access can lead to financial losses and damage to organizational reputation. Organizations must implement strong security controls and comply with data protection laws such as data privacy regulations.

2. **Data Quality and Accuracy**
   MIS depend heavily on accurate and timely data. Poor data quality, such as incomplete or outdated information, can result in poor decision-making. Ensuring data accuracy, consistency, and reliability is a major challenge for organizations.

3. **System Integration Issues**
   Organizations often use multiple information systems across departments. Integrating these systems can be difficult due to incompatible software, legacy systems, and technical limitations. Poor integration may cause data redundancy and inefficiencies.

4. **User Resistance and Training Problems**
   Employees may resist using new MIS due to lack of skills, fear of technology, or changes in work routines. Insufficient training can reduce system effectiveness and limit the benefits of MIS implementation.

5. **High Cost of Implementation and Maintenance**
   Developing, implementing, and maintaining MIS requires significant financial investment. Costs include hardware, software, training, system upgrades, and technical support. Small organizations may find these costs challenging.

6. **Ethical and Legal Issues**
   MIS raises ethical concerns such as misuse of information, employee monitoring, and invasion of privacy. Organizations must ensure ethical use of information systems and comply with legal standards and regulations.

7. **Technological Obsolescence**

Rapid technological change can make MIS outdated quickly. Organizations must continuously update their systems to remain competitive, which adds to cost and management complexity.

**Impact of MIS Issues on Organizations**

MIS issues can negatively affect organizational efficiency, decision-making quality, customer satisfaction, and overall performance. Unresolved MIS problems may lead to operational delays, inaccurate reports, and loss of competitive advantage.

**Strategies to Address MIS Issues**

- Implement strong data security and privacy policies.
- Ensure regular data validation and quality control.
- Provide continuous user training and technical support.
- Invest in scalable and flexible information systems.
- Establish clear ethical guidelines for MIS use.

## Application

1. How do management information systems support strategic decision-making within organizations?
2. What are the common challenges or issues that can affect the effectiveness of MIS?
3. How can organizations optimize MIS to improve coordination and performance across functional areas?

## Closure

***Congratulations!***

You've successfully completed the Module 7: Implementing Strategies: Marketing, Finance/Accounting, R&D, and MIS Issues. You have successfully examined how strategies are implemented across key functional areas of an organization. This module has enhanced your understanding of the practical issues and considerations involved in aligning marketing, financial, research and development, and management information systems with strategic objectives. The knowledge gained in this module provides a strong foundation for applying strategic concepts in real organizational settings.

**Module Assessment**

The module assessment for Module 7 will consist of multiple-choice questions and short answer questions. This assessment aims to evaluate students' understanding of the key concepts covered in the module's lessons.

**Part 1. Multiple- Choice Questions**

1. Which of the following best describes the role of marketing in strategy implementation?
A. Only promoting products to customers
B. Aligning customer needs with organizational objectives through campaigns and positioning
C. Managing financial records of the company
D. Designing internal software systems

2. Why is financial management critical in strategy implementation?
A. It ensures compliance with labor laws
B. It helps allocate resources efficiently and monitor performance
C. It develops new products for the market
D. It manages employee relations

3. Which function primarily evaluates new product ideas and technological innovations?
A. Marketing
B. Finance
C. Research and Development (R&D)
D. MIS

4. What is a common challenge associated with Management Information Systems (MIS)?
A. Customer segmentation
B. Cybersecurity threats and data inaccuracy
C. Pricing strategy decisions
D. Budget allocation

5. How does product positioning help a company in the market?
A. By reducing production costs
B. By creating a distinct image in customers' minds for competitive advantage
C. By managing employee performance
D. By ensuring financial compliance

6. Which of the following best explains the relationship between MIS and other functional areas?
A. MIS operates independently and does not affect other areas
B. MIS supports all functional areas by providing timely and accurate information for decision-making
C. MIS only supports R&D projects
D. MIS replaces the need for marketing and finance teams

7. Social media marketing primarily helps organizations to:
A. Reduce operational costs
B. Engage customers, increase loyalty, and enhance brand visibility
C. Monitor internal cash flow
D. Automate R&D processes

8. Which financial tool is most useful for evaluating whether a strategic initiative is financially feasible?
A. SWOT Analysis
B. Budgeting and cost management
C. Customer feedback survey
D. MIS dashboard

9. Why is cross-functional collaboration important in strategy implementation?
A. It reduces the need for marketing campaigns
B. It ensures that all functional areas—marketing, finance, R&D, and MIS—work together toward common goals
C. It eliminates financial reporting requirements
D. It replaces the need for strategic planning

10. Which of the following best describes the main purpose of this module?
A. To learn how to design financial software
B. To understand how key functional areas contribute to executing strategies effectively
C. To focus exclusively on marketing campaigns
D. To explore unrelated IT issues

**Short Answer Questions**

1.How do marketing, finance/accounting, R&D, and MIS functions work together to ensure successful strategy implementation?
2.What are the key challenges each functional area faces when executing organizational strategies?
3.How can financial management tools and practices support strategic decision-making and resource allocation?
4.In what ways do MIS and technology enhance coordination, information accuracy, and performance monitoring across functional areas?
5.How can integrating marketing strategies, R&D initiatives, and MIS insights improve overall organizational performance and competitive advantage?

## References

Banerjee, A. (2024, October 24). Target Market vs. Market Segmentation: Key Differences Explained [Photograph]. CleverTap. https://clevertap.com/blog/target-market-vs-market-segmentation/

Costa, I. (2025, January 28). Research and Development in the US: key aspects, importance and benefits. Kaizen Institute Consulting Group. https://kaizen.com/insights/research-development-importance-us/?utm

David, F. R., & David, F. R. (2017). Strategic Management: A Competitive Advantage Approach, Concepts and Cases (16th ed.). Pearson Education

Nasaruddin, N. S. B. A. (2023, April 17). Part 2 MBSM Chapter 6-10. FlipHTML5. https://fliphtml5.com/grely/zqat/Part_2_MBSM_Chapter_6-10/

## MODULE 8: STRATEGY REVIEW, EVALUATION, AND CONTROL

**Module Overview**

This module explores the critical processes involved in assessing and guiding an organization's strategic initiatives. It emphasizes the importance of systematically reviewing strategies to ensure alignment with organizational goals, monitoring performance through measurable indicators, and evaluating outcomes to determine effectiveness. Students will learn how to identify deviations from planned objectives, analyze the underlying causes, and apply corrective actions to maintain strategic direction. The module highlights practical tools and frameworks that enable organizations to make informed decisions and respond proactively to internal and external changes.

Furthermore, the module delves into strategic control mechanisms that help sustain competitive advantage. It covers the design and implementation of feedback systems, performance audits, and continuous improvement practices, demonstrating how these elements collectively enhance organizational agility and accountability. By engaging with real-world case studies and analytical exercises, learners will develop the ability to critically assess strategy performance, recommend improvements, and ensure that strategic initiatives deliver intended results efficiently and effectively.

**Module Objectives/Outcomes**

At the end of this module, the students will be able to:

a) Explain the importance of strategy review, evaluation, and control;
b) Apply Rumelt's Four Criteria in evaluating organizational strategies;
c) Analyze internal and external environments using the IFE and EFE Matrices; and
d) Use the Balanced Scorecard to evaluate strategic performance using financial and non-financial measures.

**Lessons in the Module:**

Lesson 1: Rumelt's Four Criteria of Strategy Evaluation

Lesson 2: Internal Factor Evaluation (IFE) Matrix and External Factor Evaluation (EFE) Matrix

Lesson 3: Balanced Scorecard

## Lesson 1: Rumelt's Four Criteria of Strategy Evaluation

## Learning Outcomes

At the end of this topic, the students will be able to:

a) Explain the concept of Rumelt's Four Criteria of strategy evaluation;
b) Identify and describe the four criteria: Consistency, Consonance, Feasibility, and Advantage;
c) Apply Rumelt's Four Criteria in evaluating organizational strategies; and
d) Assess whether a strategy is effective and appropriate for achieving organizational goals.

## Time Frame: Week 16

## Introduction

Understanding whether a strategy is effective requires more than simply measuring financial outcomes or operational success. Rumelt's Four Criteria of Strategy Evaluation provide a structured approach for assessing the quality and viability of a strategy. These criteria—consistency, consonance, feasibility, and advantage—serve as essential benchmarks that help organizations determine if their strategic plans are logically sound, aligned with environmental realities, practically implementable, and capable of creating a competitive edge. By applying these principles, managers and decision-makers can ensure that strategies are not only ambitious but also realistic and strategically coherent.

This lesson introduces each of Rumelt's criteria in detail, illustrating how they function together to form a comprehensive evaluation framework. Students will learn to critically analyze strategic initiatives, identify potential gaps or conflicts, and assess whether a strategy positions an organization for long-term success. Through examples and practical exercises, the lesson emphasizes the importance of rigorous evaluation, enabling learners to develop the skills needed to refine strategies, guide implementation, and make informed strategic decisions that drive organizational growth.

## Activity

**Title:** ***Strategy Evaluation Exercise***

**Objective:** To help students understand how Rumelt's Four Criteria are applied in evaluating real-world strategies.

**Procedure:**

1. Divide the class into small groups.
2. Each group selects a simple business strategy (e.g., adopting an Accounting Information System, expanding a business, or introducing a new product).
3. Groups evaluate the chosen strategy using the four criteria:
   - Consistency
   - Consonance
   - Feasibility
   - Advantage
4. Each group presents their evaluation and conclusion to the class.

**Analysis**

During the activity, students analyze whether the chosen strategy:

• Aligns with organizational goals and policies (Consistency);
• Responds to changes in the external environment (Consonance);
• Can be implemented using available resources and capabilities (Feasibility); and
• Provides a competitive or strategic benefit to the organization (Advantage).

## Abstraction

### Rumelt's Four Criteria of Strategy Evaluation

Rumelt's Four Criteria of Strategy Evaluation provide a structured approach to assess the soundness and effectiveness of organizational strategies. The framework ensures that strategic plans are not only well-formulated but also capable of delivering the intended outcomes. By offering clear benchmarks for analysis, Rumelt's criteria help managers systematically evaluate strategies, identify potential weaknesses, and make informed decisions that align with organizational goals.

The first criterion, **consistency**, emphasizes that a strategy must be internally coherent and aligned with the organization's objectives. It discourages conflicting goals, policies, or actions that could undermine strategic implementation. Ensuring consistency allows organizations to focus their resources and efforts on a clear, unified direction, reducing confusion and increasing the likelihood of successful execution.

**Consonance**, the second criterion, focuses on how well a strategy responds to external environmental factors. A sound strategy must recognize trends in the market, technological developments, and changing competitive conditions. By adapting to these external forces, organizations can remain relevant, minimize risks, and seize emerging opportunities, thereby increasing strategic resilience.

The final two criteria, **feasibility** and **advantage**, examine practicality and competitive positioning. Feasibility evaluates whether the strategy can be realistically implemented given the organization's resources, capabilities, and constraints, while advantage considers whether the strategy provides a sustainable edge over competitors. Together, these criteria ensure that strategies are not only implementable but also strategically beneficial, guiding managers to make decisions that drive long-term organizational success.

**Example: A Tech Company Launching a New Smartphone**

1. **Consistency** – The company's strategy to develop a high-end smartphone aligns with its overall objective of being a premium brand. It avoids conflicting initiatives, such as launching budget devices that could dilute its luxury image.
2. **Consonance** – The strategy considers environmental trends, such as increasing demand for 5G-enabled devices and sustainability in materials. By responding to these market and technological shifts, the company positions itself to meet current and future customer expectations.
3. **Feasibility** – The company assesses its internal resources, including R&D capabilities, skilled engineers, and production facilities. The strategy is feasible because the company has the technical expertise and financial capacity to execute the plan.
4. **Advantage** – By focusing on superior camera technology, exclusive design, and ecosystem integration, the company aims to create a competitive advantage over rivals. This strategy differentiates its product and strengthens its market position in the premium smartphone segment.

## Application

1. Choose an organizational strategy and evaluate it using Rumelt's Four Criteria. Explain briefly how the strategy satisfies each criterion.

## Closure

Congratulations! You are now familiar with Rumelt's Four Criteria of Strategy Evaluation. This framework will help you critically assess strategies and determine whether they are effective, realistic, and competitive. You are now ready to apply this tool in analyzing real-world organizational decisions and strategic plans.

**Lesson 2: Internal Factor Evaluation (IFE) Matrix and External Factor Evaluation (EFE) Matrix**

## Learning Outcomes

At the end of this topic, the students will be able to:

a) Define and differentiate the Internal Factor Evaluation (IFE) Matrix and the External Factor Evaluation (EFE) Matrix;
b) Identify key internal strengths and weaknesses, as well as external opportunities and threats affecting an organization;
c) Construct an IFE and EFE Matrix by assigning appropriate weights, ratings, and weighted scores; and
d) Interpret the total weighted scores of IFE and EFE Matrices to assess a firm's strategic position and guide strategic decision-making.

## Time Frame: Week 16

## Introduction

In strategic management, formulating strategies is not enough—organizations must continuously evaluate and review their strategies to ensure long-term success. One effective way of doing this is through strategy evaluation tools that analyze both the internal and external environments of a firm.

In this lesson, we will focus on two important tools used in strategy review and evaluation: The Internal Factor Evaluation (IFE) Matrix and the External Factor Evaluation (EFE) Matrix. These matrices help managers summarize and evaluate key internal strengths and weaknesses, as well as external opportunities and threats that influence organizational performance.

By understanding and applying the IFE and EFE Matrices, students will gain practical skills in analyzing strategic factors, measuring how well a company responds to its environment, and making informed strategic decisions. These tools also serve as foundations for more advanced strategic analyses such as SWOT, IE Matrix, and Balanced Scorecard.

## Activity

**Title:** ***Building an IFE–EFE Matrix for a Company***

**Objective:** To help students understand how to identify, weight, rate, and evaluate internal and external strategic factors using the IFE and EFE Matrices.

**Materials Needed:**

- Ballpen
- Paper or worksheet
- Calculator

**Duration:** 30 minutes

**Procedure:**
1. Divide the class into small groups of 4–5 students.
2. Assign each group a hypothetical company or a real organization (e.g., a fast-food chain, retail store, or manufacturing firm).

Each group will:
Identify at least 5 internal strengths and weaknesses for the IFE Matrix.
Identify at least 5 external opportunities and threats for the EFE Matrix.

Groups will assign:
Weights (0.0–1.0) to each factor, ensuring the total equals 1.0.
Ratings based on IFE or EFE criteria.
Compute the weighted scores and total weighted score for both matrices.
Each group will briefly present their results to the class.

**Analysis**

After the activity, guide students to analyze their outputs by answering the following questions:

1. Which internal factors had the highest impact on the company's performance?
2. Which external factors posed the greatest opportunity or threat?
3. What does the total weighted score indicate about the company's internal strength or external responsiveness?
4. How can the results of the IFE and EFE Matrices help management improve or adjust strategies?

**<u>Abstraction</u>**

**Internal Factor Evaluation (IFE) Matrix**

The IFE Matrix is a strategic tool designed to assess a company's internal environment by systematically identifying its strengths and weaknesses. Each factor is assigned a weight according to its significance and a rating based on the firm's performance in that area. The combined weighted scores provide a clear indication of the organization's internal position, whether strong, average, or weak. This method allows managers to prioritize key areas for improvement and leverage internal capabilities to support strategic objectives.

By quantifying strengths and weaknesses, the IFE Matrix enables decision-makers to make informed strategic choices. Ratings range from 4 (major strength) to 1 (major weakness), allowing for a nuanced evaluation of internal factors. A total weighted score above 2.5 reflects strong internal positioning, while a score below 2.5 highlights areas requiring attention. This structured approach simplifies complex information, making it easier to align internal resources with organizational goals.

Ratings in the IFE Matrix range from:
4 – Major Strength
3 – Minor Strength
2 – Minor Weakness
1 – Major Weakness

**External Factor Evaluation (EFE) Matrix**

The EFE Matrix is a strategic management tool used to evaluate a firm's external environment by identifying opportunities and threats. Each external factor is assigned a weight reflecting its importance and a rating based on how well the company responds to it. The total weighted score indicates the firm's effectiveness in addressing external influences, helping managers understand strategic positioning in the market context.

Ratings in the EFE Matrix range from 4 (superior response) to 1 (poor response), providing a clear, quantitative assessment of how a company leverages opportunities and mitigates threats. A total score above 2.5 signals a strong strategic response to external conditions, while a score below 2.5 indicates weaknesses. Together with the IFE Matrix, the EFE Matrix offers a comprehensive view of an organization's strategic standing, simplifying complex environmental data and supporting informed decision-making in strategy review, evaluation, and control.

Ratings in the EFE Matrix range from:
4 – Superior response
3 – Above-average response
2 – Average response
1 – Poor response

**Interpretation of Results**

The interpretation of IFE and EFE Matrix scores provides a clear indication of an organization's strategic position. A total weighted score of **2.5** is considered average, reflecting a moderate internal capability or external responsiveness. Scores **above 2.5** indicate strong strategic positioning, suggesting that the organization effectively leverages its strengths or responds well to external opportunities and threats. Conversely, scores **below 2.5** highlight weaknesses or inadequate strategic responses, signaling areas that require improvement or corrective action.

By quantifying internal and external factors, the IFE and EFE Matrices simplify complex strategic information, allowing managers to evaluate performance systematically. They serve as practical tools for strategy review, evaluation, and control, helping decision-makers prioritize actions, align resources, and ensure that strategic initiatives are both realistic and effective in achieving organizational objectives.

## Application

### Short Answer Questions

1. Why is it important for organizations to evaluate both internal and external factors when reviewing strategies?
2. How can the IFE and EFE Matrices support better strategic decision-making?
3. Give one real-life example of an internal strength and an external threat for a business of your choice.

## Closure

Congratulations! You have successfully learned how to analyze an organization's internal strengths and weaknesses and external opportunities and threats using the IFE and EFE Matrices. These tools play a crucial role in strategy review, evaluation, and control, helping managers determine whether current strategies are effective or need improvement.

In the next lesson, we will build on these concepts as we explore other strategy evaluation tools such as the Balanced Scorecard and how they help translate strategy into measurable performance outcomes.

**Lesson 3: Balanced Scorecard**

## Learning Outcomes

At the end of this topic, the students will be able to:
a) Define the Balanced Scorecard;
b) Identify its four perspectives; and
c) Apply it to measure strategic performance.

## Time Frame: Week 17

## Introduction

The Balanced Scorecard is a strategic management tool that provides a comprehensive framework for measuring organizational performance beyond traditional financial metrics. Developed to help organizations translate their vision and strategy into actionable objectives, it integrates multiple perspectives—financial, customer, internal processes, and learning and growth—to create a balanced approach to performance evaluation. By considering both leading and lagging indicators, the Balanced Scorecard enables managers to monitor progress, identify gaps, and make informed decisions that align day-to-day activities with long-term strategic goals.

This lesson introduces the core principles of the Balanced Scorecard and demonstrates how it links strategy to measurable outcomes. Students will learn how to develop key performance indicators (KPIs) for each perspective, track performance over time, and use the insights gained to drive strategic improvements. Through practical examples, the lesson highlights how the Balanced Scorecard promotes organizational alignment, accountability, and continuous learning, ultimately helping firms achieve sustainable competitive advantage.

## Activity

**Title:** ***Designing a Simple Balanced Scorecard***

**Objective:** To help students apply the Balanced Scorecard framework to a hypothetical organization.

**Duration:** 30 minutes

**Procedure:**

1. Divide the class into small groups.
2. Assign each group a type of organization (e.g., school, retail store, hospital).
3. Each group identifies one objective for each Balanced Scorecard perspective.

4. Groups present their Balanced Scorecard to the class.

## Abstraction

The **Balanced Scorecard** is not merely a measurement system but a strategic management framework. By balancing financial results with customer value, internal efficiency, and learning capacity, organizations can align daily activities with long-term goals. This integrated approach helps managers monitor performance drivers that shape future success.

### The Four Perspectives of the Balanced Scorecard

#### 1. Financial Perspective

The financial perspective emphasizes the organization's economic performance and its ability to deliver value to shareholders. It highlights outcomes such as profitability, revenue growth, cost management, and return on investment, serving as a benchmark for overall business success. By tracking financial measures, organizations can evaluate whether their strategic initiatives translate into tangible economic results.

This perspective also guides decision-making by linking financial outcomes with operational and strategic actions. Managers use these metrics to prioritize investments, optimize resource allocation, and ensure that financial targets are aligned with long-term objectives. In essence, it serves as a clear indicator of whether the organization is on a sustainable path to growth.

#### 2. Customer Perspective

The customer perspective focuses on understanding and enhancing the experience of the organization's clients. It evaluates how customers perceive value, satisfaction, loyalty, and brand reputation, often using metrics like retention rates, satisfaction scores, and market share. This perspective ensures that strategic initiatives are aligned with customer expectations, which ultimately drive revenue and long-term competitiveness.

By incorporating the customer perspective, organizations can identify gaps in service, product quality, or engagement strategies. It encourages proactive improvements in customer relations, marketing, and service delivery. Aligning business processes to meet customer needs ensures that financial and operational goals are supported by strong market demand and customer trust.

### 3. Internal Business Process Perspective

The internal business process perspective highlights the efficiency and effectiveness of operations critical to achieving organizational objectives. It focuses on processes that directly influence customer satisfaction and financial performance, such as production quality, process cycle times, and innovation in service delivery. This perspective enables managers to pinpoint operational strengths and weaknesses.

Optimizing internal processes not only enhances productivity but also reduces costs and improves quality. By continuously monitoring key operational metrics, organizations can streamline workflows, eliminate bottlenecks, and support both financial and customer objectives. This perspective ensures that internal capabilities are aligned with strategic priorities.

### 4. Learning and Growth Perspective

The learning and growth perspective emphasizes the organization's capacity for innovation, continuous improvement, and knowledge development. It measures employee competencies, training effectiveness, information systems, and organizational culture, highlighting how these elements contribute to long-term strategic success. This perspective ensures that the organization can adapt to changes and sustain competitive advantage.

By investing in people, technology, and culture, organizations foster an environment conducive to learning and innovation. This perspective links employee development and organizational knowledge to performance outcomes, creating a foundation for improved processes, customer satisfaction, and financial results. Ultimately, it supports sustainable growth by building capabilities that drive future success.

**Balanced Scorecard Table (Based on HBR 1992)**

| Perspective | Strategic Objective | Performance Measure | Target | Initiative |
|---|---|---|---|---|
| **Financial** | Improve profitability | Return on Investment(ROI) | +10% | Cost control and revenue growth |
| **Customer** | Increase customer satisfaction | Customer satisfaction rating | 90% | Improve service quality |
| **Internal Process** | Improve operational efficiency | Process cycle time | −20% | Process redesign |
| **Learning & Growth** | Enhance employee capability | Training hours per employee | 100% trained | Skills development programs |

## Application

**Short Answer Questions:**

1. Why are financial measures alone insufficient for evaluating performance?
2. Explain the importance of the Learning and Growth perspective.
3. How does the Balanced Scorecard support strategy implementation?

## Closure

Congratulations! You have learned how the Balanced Scorecard provides a comprehensive view of organizational performance by integrating financial and non-financial measures. This tool enables managers to evaluate strategy effectiveness and ensure continuous improvement and long-term success.

**Module Assessment**

The module assessment for Module 8 will consist of multiple-choice questions and short answer questions. This assessment aims to evaluate students' understanding of the key concepts covered in the module's lessons.

**Part 1. Multiple- Choice Questions**

**1.** The Balanced Scorecard primarily serves as a:
A. Financial reporting tool only
B. Strategic management framework
C. Marketing strategy plan
D. Human resource manual

**2.** Which perspective of the Balanced Scorecard focuses on profitability, revenue growth, and cost efficiency?
A. Customer Perspective
B. Learning and Growth Perspective
C. Internal Business Process Perspective
D. Financial Perspective

**3.** Customer satisfaction, retention, and market share are measures associated with which perspective?
A. Financial Perspective
B. Customer Perspective
C. Internal Business Process Perspective
D. Learning and Growth Perspective

**4.** Improving production quality, reducing cycle time, and enhancing process efficiency are key measures of:
A. Customer Perspective
B. Learning and Growth Perspective
C. Internal Business Process Perspective
D. Financial Perspective

**5.** Employee training, skills development, and organizational culture are indicators of which perspective?
A. Learning and Growth Perspective
B. Financial Perspective
C. Customer Perspective
D. Internal Business Process Perspective

**6.** The Balanced Scorecard helps organizations:
A. Focus solely on short-term financial results
B. Align daily activities with long-term strategic goals
C. Replace all financial reporting systems

D. Eliminate the need for customer feedback

**7.** Which of the following best describes the purpose of the Financial Perspective?
A. To monitor employee learning and development
B. To evaluate operational efficiency
C. To show how the organization appears to shareholders
D. To analyze customer opinions

**8.** A company wants to improve its market share and customer loyalty. Which Balanced Scorecard perspective should they focus on?
A. Financial Perspective
B. Customer Perspective
C. Internal Business Process Perspective
D. Learning and Growth Perspective

**9.** Which perspective ensures that internal capabilities are aligned with strategic priorities?
A. Financial Perspective
B. Customer Perspective
C. Internal Business Process Perspective
D. Learning and Growth Perspective

**10.** Investing in employee skills and information systems primarily supports:
A. Financial Perspective
B. Learning and Growth Perspective
C. Customer Perspective
D. Internal Business Process Perspective

**Short Answer Questions**

1.How does the Balanced Scorecard help organizations align daily activities with long-term strategic goals?
2.What are the key measures used in the Customer Perspective, and why are they important for organizational success?
3.How do the Internal Business Process and Learning & Growth perspectives contribute to achieving financial and customer objectives?
4.Why is it important for organizations to balance financial results with non-financial measures like customer satisfaction and employee development?

**References**

Madsen, D. Ø. (2025). *Balanced scorecard: History, implementation, and impact.* Encyclopedia, 5(1), 39. https://doi.org/10.3390/encyclopedia5010039

# APPENDICES

# CERTIFICATION

; is to certify that the undersigned has reviewed and gone through all the pages of instructional material, **"Strategic Management".** This is to certify further that instructional material is aligned with the set of structural rules given the position of sentences and words in the English Language.

en this 23rd day of March 2026 at Davao del Sur State College, Matti, Digos City, ao del Sur, Philippines.

RELY JOY A. PANLAAN, MEd-LT
Mobile No: 0930-219-0713
Email Address: relyjoy.panlaan@dssc.edu.ph

College of Business Education and Governance
Bachelor of Science in Agribusiness
2nd Semester, School Year 2025-2026

# COURSE OUTLINE

| | |
|---|---|
| Title: | STRATEGIC MANAGEMENT |
| Code: | MGT 608 |
| Credits: | 3.0 |
| Description: | This course is designed to expose students on the responsibilities of top management in relation to policy setting activities of the enterprise. Likewise, the course takes into account the crafting of strategies for the purpose of improving the competitive advantage of the enterprise in the marketplace, both locally and globally. The importance of internet in global competition is also introduced. |
| Week: | 3 hours/week |
| Prerequisite: | Operations Management with TQM |
| Outcomes: | CO1. Analyze and evaluate an organization's current position using strategic management tools, establish a clear company direction by defining mission, vision, and objectives, and develop actionable strategies that align with organizational goals and stakeholder interests for sustainable growth.<br>CO2. Practice comprehensive internal and external assessments of an organization, analyze strategic options, and effectively choose and implement strategies that align with organizational goals to enhance competitive advantage and operational effectiveness.<br>CO3. Practice implementation and management of strategies across various functional areas—including marketing, finance, R&D, and information systems—while conducting ongoing reviews and evaluations to ensure alignment with organizational objectives and adaptability to changing market conditions. |

## COURSE OUTLINE AND TIMEFRAME

| Week | Topic and Sub-Topics | Student Learning Outcomes |
|---|---|---|
| 1 | Introduction of DSSC's Vision, Mission, and Core Values (SMART); and<br>Orientation on class policies, course requirements, and grading system<br>Discussion on Case Analysis Format | ▪ recall the Vision, Mission, Goals, and Core Values of the institution;<br>▪ appreciate the relevance of the institution's VGMO;<br>▪ be oriented in the class policies, course requirements, course assessment, and grading system.<br>▪ learn how to analyze Strategic Management Case |
| 2-3 | **Module 1.**<br>**Strategic Management Essentials**<br>• Nature of Strategic Management<br>• Stages of Strategic Management<br>• Effective Strategic Management | ▪ Understand the general idea of Strategic Management<br>▪ Describe the strategic-management process.<br>▪ Define and give examples of key terms in strategic management<br>▪ Discuss the nature of strategy formulation, implementation, and evaluation activities.<br>▪ Describe the benefits of good strategic management<br>▪ Discuss how a firm may achieve sustained competitive advantage |
| 4 | **Module 2.**<br>**Establishing Company Direction**<br>▪ Concept of Strategic Vision<br>▪ Concept of Strategic Mission<br>▪ Setting Performance Objectives<br>▪ Strategic Objectives vs. Financial Objectives | • Understand the components for a complete mission and vision statements while incorporating PLM's University Vision of pursuing public interest and national development.<br>• Identify the characteristics of a good strategic objective. |
| 5-6 | **Module 3.**<br>**The External Environmental Analysis**<br>• Industry Analysis and Tools<br>• PEST/PESTLE /DESTEP Analysis<br>• Porter's Five Forces Model | • Conduct an in-depth industry analysis.<br>• Recognize their real competitors.<br>• Apply Michael Porter's Five Forces of Competitive Analysis.<br>• Identify their chosen industry's critical success factors. |

| | |
|---|---|
| • Competitive Profile Matrix<br>• External Factor Evaluation Matrix | Construct a Competitive Profile Matrix (CPM) and External Factor Evaluation Matrix (EFE). |
| **Module 4.**<br>**The Internal Environmental Analysis**<br>Key Performance Indicators:<br>• SWOT Analysis/ GAP Analysis/<br>• VRIO Analysis/ Mckinsey 7s<br>• The nature of an Internal Audit.<br>• Market Share, Operations, Sales &Profits,<br>• Cost of Goods Sold.<br>IFE Matrix Guidelines. | • Understand the framework involved in the assessment of the company.<br>• Construct an Internal Factor Evaluation Matrix (IFE). |
| **MidTerm Examination** | |
| **Module 5.**<br>**Strategy Analysis and Choice & Strategies in Action**<br>• Types of Business Strategies<br>• Intensive Strategies<br>• Diversification Strategies<br>• Defensive Strategies<br>• Michael Porter's Generic Strategies | • Understand different types of business strategies<br>• Detect company situations and devise appropriate strategies<br>• Discuss guidelines when particular strategies are most appropriate to pursue. |
| **Module 6.**<br>**Implementing Strategies Management Issues**<br>▪ The nature of Strategy Implementation<br>▪ Managing Conflict<br>▪ Matching Structure with Strategy<br>▪ Production/Operations Concerns When Implementing Strategies<br>▪ Human Resource Concerns When Implementing Strategies | • Understand the nature of strategy implementation<br>▪ Identify different Strategies Management Issues<br>▪ Analyze business cases on strategic management issues |
| **Module 7.**<br>**Implementing Strategies Marketing, Finance/Accounting, R&D and CIS Issues**<br>▪ Marketing Issues<br>▪ Finance/Accounting Issues<br>▪ Research and Development Issues<br>▪ Management Information System Issues | • Explain market segmentation and product positioning as strategy-implementation tools.<br>• Explain why projected financial statement analysis is a central strategy-implementation tool.<br>• Discuss the nature and role of research and development in strategy implementation.<br>• Explain how management information systems can determine the success of strategy implementation efforts |
| **Module 8.**<br>**Strategy Review, Evaluation and Control**<br>▪ Rumelt's 4 Criteria<br>▪ IFE/EFE Matrix<br>▪ Balance Scorecard | ▪ Learn to examine the underlying bases of a firm's strategy.<br>▪ Understand the importance of Review , Evaluation and Control on Business Strategies<br>▪ Analyze business strategies |
| **Final Examination / Final Output Presentation** | |

...CO, MBA

...ACE BALDERAZ, DBM

Checked by:

**MICHELLE A. ALCEBAR, MBA**
Department Chairperson

Approved by:

**ZANDRO P. IBANEZ, EdD**
College Dean

COURSE SYLLABUS
Second Semester, School Year 2025-2026

| | | | | |
|---|---|---|---|---|
| *Course No.* | : | *MGT 608* | Prepared by: | **KIM F. LLEGO, MBA**<br>*Instructor*<br><br>Email Address: kim.llego@dssc.edu.ph<br>Contact Number: 09062922052 |
| *Course Title* | : | **STRATEGIC MANAGEMENT** | | |
| Course Description | : | This course is designed to expose students on the responsibilities of top management in relation to policy setting activities of the enterprise. Likewise, the course takes into account the crafting of strategies for the purpose of improving the competitive advantage of the enterprise in the marketplace, both locally and globally. The importance of internet in global competition is also introduced. | Checked/ Reviewed by: | **JEANEVIEVE D. G[illegible]CA, MBA**<br>Department Chairperson |
| Course Credit | : | 3 units/ None | Approved by: | **ZANDRO P. IBAÑEZ, EdD.**<br>CBEG Dean |
| Prerequisite/s | : | Operations Management; Organizational Development | | |
| Contact Hours/ Week | : | 3 Hours/ Week | | |
| Version | : | 1 | | |
| Date Revised | : | January 5,2026 | | |
| Effectivity | : | Second Semester of SY 2025-2026 | | |

| VISION | MISSION | COLLEGE GOALS | CORE VALUES (SMART) |
|---|---|---|---|
| Internationally-recognized State Higher Education Institution championing innovation and inclusive transformation. | We commit to provide the highest standards in instruction, research, extension, and governance that are responsive to the needs of all stakeholders and take the lead in preservation of biocultural diversity. | CBEG shall provide relevant and quality education in the fields of business, accounting and public governance by offering courses relevant to the changing business environment, strong public service orientation and ethical foundation to produce responsible and competent professionals endowed with aspirations indispensable to contribute to local, national and global development. | Service with Integrity, Mindful to the need of others with greater sense of Accountability and Respect for a meaningful Teamwork for DSSC. |

| PROGRAM OUTCOMES<br>At the end of the program, students will be able to: | PEO 1 | PEO 2 | PEO 3 | PEO 4 | PEO 5 | PEO 6 |
|---|---|---|---|---|---|---|
| ***1-5 (Common to all programs in all types of schools)*** | | | | | | |
| **PO 1.** Articulate and discuss the latest developments in the specific field of practice (PQF level 6 descriptor) | | ✓ | ✓ | ✓ | ✓ | ✓ |
| **PO 2.** Effectively communicate orally and in writing using both English and Filipino | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **PO 3.** Work effectively and independently in multi-disciplinary and multicultural teams (PQF level 6 descriptor) | | | | | | ✓ |
| **PO 4.** Act in recognition of professional, social, and ethical responsibility | ✓ | | ✓ | | | ✓ |
| **PO 5.** Preserve and promote "Filipino historical and cultural heritage" (based on RA 7722) | ✓ | | | | | ✓ |
| ***6-13 (Common to the Business and Management)*** | | | | | | |
| **PO 6.** Describe the basic functions of management such as planning, organizing, leading and controlling; | | | ✓ | | | ✓ |
| **PO 7.** Identify and describe basic concepts that underlie each of the functional areas of business (marketing, finance, human resources management, production and operations management, information technology, and strategic management) | ✓ | ✓ | ✓ | | | |
| **PO 8.** Select the proper decision-making tools to critically, analytically, and creatively solve problems and drive results; | | | ✓ | | | |
| **PO 9.** Express clearly and communicate effectively with stakeholders both in oral and written forms; | | | | | | ✓ |
| **PO 10.** Apply information and communication technology (ICT) skills as required by the business environment; | | ✓ | | | | |
| **PO 11.** Work effectively with other stakeholders and manage conflict in the workplace; | ✓ | | | | | |
| **PO 12.** Organize and lead groups to plan and implement business related activities; | | | | | | ✓ |
| **PO 13.** Demonstrate corporate citizenship and social responsibility; | | | | | ✓ | ✓ |
| **PO 14.** Exercise high personal, moral and ethical standards. | ✓ | | | | ✓ | |
| ***15-22 (Common to the BSAB Program)*** | | | | | | |
| **PO 15.** Demonstrates corporate and social responsibility | ✓ | | | ✓ | | |
| **PO 16.** Implement the basic functions of management and marketing | ✓ | ✓ | | ✓ | ✓ | |
| **PO 17.** Use Information and Communication Technology (ICT) effectively and efficiently | | ✓ | ✓ | | | |
| **PO 18.** Work well with others | | | | ✓ | | ✓ |
| **PO 19.** Use the proper decision tools to critically, analytically and creatively solve problems and drive results | ✓ | | ✓ | | | ✓ |
| **PO 20.** Understand and apply the concepts of agricultural productivity and sustainability in the context of national, regional and global developments | | ✓ | ✓ | | | |
| **PO 21.** Engage in agricultural production and post – production activities | ✓ | | | ✓ | ✓ | |
| **PO 22.** Promote sound agricultural technologies to various clients and in the manpower development for agriculture | | | ✓ | | | |

COURSE PLAN

| TIME FRAME | STUDENT LEARNING OUTCOMES | MAP | COURSE CONTENT/ SUBJECT MATTER | TEACHING AND LEARNING ACTIVITIES (TLAs) | ASSESSMENT TASKS (ATs) | LEARNING EVIDENCE | RESOURCES NEEDED | REFERENCE NO. |
|---|---|---|---|---|---|---|---|---|
| Week 1 | At the end of the lesson, the students will be able to:<br>▪ recall the Vision, Mission, Goals, and Core Values of the institution;<br>▪ appreciate the relevance of the institution's VGMO;<br>▪ be oriented in the class policies, course requirements, course assessment, and grading system.<br>▪ learn how to analyze Strategic Management Case | | ▪ Introduction of DSSC's Vision, Mission, and Core Values (SMART); and<br>▪ Orientation on class policies, course requirements, and grading system<br>▪ Discussion on Case Analysis Format | ▪ Class Discussion<br>▪ G-T-K-Y (Getting-To- Know-You) Activity | ▪ Oral Recitation on the relevance of the institution's VGMO<br>▪ Oral Recitation on G-T-K-Y Activity<br>▪ Oral Recitation on course expectation | ▪ Accurate recitation and discussion of the institution's Vision, Mission and Core Values<br>▪ Behavioral patterns during class discussions are in accordance to the attainment and observance of the institution's Vision, Mission and Core Values. | ▪ Syllabus<br>▪ Institution's Infographics<br>▪ Laptop/Smart Phone<br>▪ Internet Connection | N/A |
| Week 2-3 | At the end of the session, the students are expected to:<br>▪ Understand the general idea of Strategic Management<br>▪ Describe the strategic-management process.<br>▪ Define and give examples of key terms in strategic management<br>▪ Discuss the nature of strategy formulation, implementation, and evaluation activities.<br>▪ Describe the benefits of good strategic management<br>▪ Discuss how a firm may achieve sustained competitive advantage | CO1 | **Module 1. Strategic Management Essentials**<br>• Nature of Strategic Management<br>• Stages of Strategic Management<br>• Effective Strategic Management | ▪ Class Discussion<br>▪ Submission of Lesson Tests | ▪ Oral Recitation<br>▪ Article Analysis (Singapore Airlines)<br>• Quiz | ▪ Accurate recitation and discussion of the questions/ topics in relation to the lesson discussed.<br>▪ Behavioral patterns during class discussions are in accordance to the attainment and observance of the topics/ lessons being discussed.<br>▪ Submission of Output for Article Analysis | ▪ Ebook<br>▪ Laptop/Smart Phone<br>▪ Internet Connection | Suggested Readings: Chapter 1 of Fred David's Strategic Management Book. |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Week 4 | At the end of the session, the students are expected to:<br>• Understand the components for a complete mission and vision statements while incorporating PLM's University Vision of pursuing public interest and national development.<br>• Identify the characteristics of a good strategic objective. | CO1 | **Module 2. Establishing Company Direction**<br>▪ Concept of Strategic Vision<br>▪ Concept of Strategic Mission<br>▪ Setting Performance Objectives<br>▪ Strategic Objectives vs. Financial Objectives | ▪ Class Discussion<br>▪ PPT Presentation<br>▪ Video Presentation | ▪ Oral Recitation<br>▪ Drafting and Presentation of Company's VMG | ▪ Accurate recitation and discussion of the questions/ topics in relation to the lesson discussed.<br>▪ Behavioral patterns during class discussions are in accordance to the attainment and observance of the topics/ lessons being discussed.<br>▪ Submission of Output | ▪ Ebook<br>▪ Laptop/Smart Phone<br>Internet Connection<br>Projector | |
| Week 5-6 | At the end of the session, the students are expected to:<br>• Conduct an in-depth industry analysis.<br>• Recognize their real competitors.<br>• Apply Michael Porter's Five Forces of Competitive Analysis.<br>• Identify their chosen industry's critical success factors.<br>• Construct a Competitive Profile Matrix (CPM) and External Factor Evaluation Matrix (EFE). | CO2 | **Module 3. The External Environmental Analysis**<br>• Industry Analysis and Tools<br>• PEST/PESTLE /DESTEP Analysis<br>• Porter's Five Forces Model<br>• Competitive Profile Matrix<br>• External Factor Evaluation Matrix | ▪ Class Discussion<br>▪ PPT Presentation<br>▪ Video Presentation | • Oral Recitation<br>• Company/Business Analysis using the tools discussed<br>• Case Analysis<br>• Quiz | ▪ Accurate recitation and discussion of the questions/ topics in relation to the lesson discussed.<br>▪ Behavioral patterns during class discussions are in accordance to the attainment and observance of the topics/ lessons being discussed.<br>Submission of Output | ▪ Ebook<br>▪ Laptop/Smart Phone<br>Internet Connection<br>Projector | Suggested Videos:<br>The External Assessment<br>https://www.youtube.com/watch?v=NCPrkdlLf4w<br>The Explainer Porter's Five Forces<br>https://www.youtube.com/watch?v=XCWHSeDU-zk |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Week 7-8 | At the end of the session, the students are expected to:<br>• Understand the framework involved in the assessment of the company.<br>• Construct an Internal Factor Evaluation Matrix (IFE). | CO2 | **Module 4. The Internal Environmental Analysis**<br>• Key Performance Indicators:<br>• SWOT Analysis/ GAP Analysis/<br>• VRIO Analysis/ Mckinsey 7s<br>• The nature of an Internal Audit.<br>• Market Share, Operations, Sales &Profits, Cost of Goods Sold.<br>• IFE Matrix Guidelines. | • Power point presentation<br>• Discussion<br>• Submissions<br>• Video Presentation | • Oral Recitation<br>• Company/Business Analysis using the tools discussed<br>• Case Analysis<br>• Quiz | • Accurate recitation and discussion of the questions/ topics in relation to the lesson discussed.<br>• Behavioral patterns during class discussions are in accordance to the attainment and observance of the topics/ lessons being discussed.<br>Submission of Output | | Suggested Readings: Chapter 4 of Fred David's Strategic Management Book.<br>Suggested Videos:<br>The Explainer: Finding Your Company's Core Competencies<br>https://www.youtube.com/watch?v=Abl6b71H2Mc IFE Matrix<br>https://www.youtube.com/watch?v=gH0d4kWwV8w |

| TIME FRAME | STUDENT LEARNING OUTCOMES | MAP | COURSE CONTENT/ SUBJECT MATTER | TEACHING AND LEARNING ACTIVITIES (TLAs) | ASSESSMENT TASKS (ATs) | LEARNING EVIDENCE | RESOURCES NEEDED | REFERENCE NO. |
|---|---|---|---|---|---|---|---|---|
| Week 9 | MIDTERM EXAMINATION | | | | | | | |
| Week 10-11 | At the end of the session, the students are expected to:<br>• Understand different types of business strategies<br>• Detect company situations and devise appropriate strategies<br>• Discuss guidelines when particular strategies are most appropriate to pursue. | CO2 | **Module 5. Strategy Analysis and Choice & Strategies in Action**<br>• Types of Business Strategies<br>• Intensive Strategies<br>• Diversification Strategies<br>• Defensive Strategies<br>• Michael Porter's Generic Strategies | • Power point Presentation<br>• Video Presentation<br>• Discussion<br>• Submissions | • Oral Recitation<br>• Company/Business Analysis using the tools discussed<br>• Case Analysis<br>• Quiz | ▪ Accurate recitation and discussion of the questions/ topics in relation to the lesson discussed.<br>▪ Behavioral patterns during class discussions are in accordance to the attainment and observance of the topics/ lessons being discussed.<br>▪ Submission of Output | ▪ Ebook<br>▪ Laptop/Smart Phone Internet Connection Projector | Suggested Readings<br>Chapter 5 of Fred David's Strategic Management Book.<br>Suggested Videos<br>Strategies in Action<br>https://www.youtube.com/watch?v=WxCEDCwVv6Q<br>Strategy Analysis and Choice<br>https://www.youtube.com/watch?v=3fKk7ulaJd8 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Week 12-13 | At the end of the session, the students are expected to:<br>• Understand the nature of strategy implementation<br>▪ Identify different Strategies Management Issues<br>▪ Analyze business cases on strategic management issues | CO3 | **Module 6. Implementing Strategies Management Issues**<br>▪ The nature of Strategy Implementation<br>▪ Managing Conflict<br>▪ Matching Structure with Strategy<br>▪ Production/Operations Concerns When Implementing Strategies<br>▪ Human Resource Concerns When Implementing Strategies | • Power point presentation<br>• Video Presentation<br>• Discussion Submissions | • Oral Recitation<br>• Company/Business Analysis using the tools discussed<br>• Case Analysis<br>▪ Quiz | ▪ Accurate recitation and discussion of the questions/ topics in relation to the lesson discussed.<br>▪ Behavioral patterns during class discussions are in accordance to the attainment and observance of the topics/ lessons being discussed.<br>Submission of Output | ▪ Ebook<br>▪ Laptop/Smart Phone Internet Connection<br>Projector | |
| Week 14-15 | • Explain market segmentation and product positioning as strategy-implementation tools.<br>• Explain why projected financial statement analysis is a central strategy-implementation tool.<br>• Discuss the nature and role of research and development in strategy implementation.<br>• Explain how management information systems can determine the success of strategy implementation efforts | CO3 | **Module 7. Implementing Strategies Marketing, Finance/Accounting, R&D and CIS Issues**<br>▪ Marketing Issues<br>▪ Finance/Accounting Issues<br>▪ Research and Development Issues<br>▪ Management Information System Issues | • Power point Presentation<br>• Video Presentation<br>• Discussion<br>• Submissions | • Oral Recitation<br>• Company/Business Analysis using the tools discussed<br>• Case Analysis<br>• Quiz | ▪ Accurate recitation and discussion of the questions/ topics in relation to the lesson discussed.<br>▪ Behavioral patterns during class discussions are in accordance to the attainment and observance of the topics/ lessons being discussed.<br>Submission of Output | ▪ Ebook<br>▪ Laptop/Smart Phone Internet Connection<br>Projector | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Week 16-17 | At the end of the session, the students are expected to: <br>• Learn to examine the underlying bases of a firm's strategy. <br>• Understand the importance of Review, Evaluation and Control on Business Strategies <br>• Analyze business strategies | | **Module 8. Strategy Review, Evaluation and Control** <br>▪ Rumelt's 4 Criteria <br>▪ IFE/EFE Matrix <br>▪ Balance Scorecard | • Power point Presentation <br>• Video Presentation <br>• Discussion <br>• Submissions | • Oral Recitation <br>• Company/Business Analysis using the tools discussed <br>• Case Analysis <br>• Quiz | ▪ Accurate recitation and discussion of the questions/ topics in relation to the lesson discussed. <br>▪ Behavioral patterns during class discussions are in accordance to the attainment and observance of the topics/ lessons being discussed. <br>▪ Submission of Output | ▪ Ebook <br>▪ Laptop/Smart Phone Internet Connection <br>Projector | |
| Week 18 | FINAL EXAMINATION | | | | | | | |

**CO and Assessment Task Alignment**

| COURSE OUTCOMES | Content-based | Performance-based | Assessment Schedule | Coverage |
|---|---|---|---|---|
| CO1, CO2 | Identification, Enumeration | Essay | Midterm Exam | Module 1,2,3,4 |
| CO2, CO3 | Multiple Choice, Identification | Essay | Final Examination | Module 5, 6, 7 |

Assessment Task Details (Content-based)

| Assessment Schedule | Coverage | Assessment Task | Details |
|---|---|---|---|
| Midterm Examination | Module 1-3 | Written Examination (40%) | Students are tasked to recall their outputs or answers in Modules 1, 2, 3 and 4 answer the following questions: This includes topics that will be reflected in your Test of Specification (TOS) |
| Final Examination | Module 4-6 | Written Examination (40%) | Students are tasked to recall their outputs or answers in Modules 4, 5, 6 then answer the following questions: This includes topics that will be reflected in your Test of Specification (TOS) |

**Assessment Task Details (Performance-based)**

| Assessment Schedule | Coverage | Assessment Task | Details |
|---|---|---|---|
| Midterm Examination | Module 1-3 | Case Analysis/ Problem Solving (60%) | Students are tasked to make a case analysis integrating the module discusses from module 1-3. |
| Final Examination | Module 4-6 | Case Analysis/ Problem Solving (60%) | Students are tasked to make a case analysis integrating the module discusses from module 4-6. |

| COURSE REQUIREMENTS | GRADING SYSTEM | CLASSROOM POLICY |
|---|---|---|
| Lesson Test (Activity, Analysis and Application Test)<br>Module Assessments/ Activity<br>Major Examination (Midterm and Final)<br>Case Analysis Presentation<br>Industry Analysis | **50% - Midterm Grade**<br>**50% - Final Term Grade**<br><br>**Final Grade = (MTG + FTG)/2**<br><br>Quizzes – 30%<br>Requirements - 20%<br>Examinations – 50%<br>Total - **100%**<br><br>**Grade Equivalent**<br>Passing Percentage = 50% | Attendance is counted from the first day of regular classes regardless of the date of enrolment. A student who missed classes due to late enrollment shall be considered absent.<br><br>A student who has incurred absences of more than 20% of total class meeting in each time shall not be given credit for the course or subject.<br><br>The maximum number of absences allowable for students in a subject is as follows:<br>• Subject with once a week meeting = 3 absences<br>• Subject with twice a week meeting = 7 absences<br>• Subject with thrice a week meeting = 10 absences<br><br>Any student who exceeds the prescribed maximum number of absences for a particular subject is five (5) meeting days. This is regardless of the number of units assigned to the subject.<br><br>**Note: For the complete classroom policies, please refer to the student handbook (pp. 26-27)** |

1. DSSC Student Handbook
2. Llego, K. and Balderaz, BG (2026). *Strategic Business Analysis*

**ROSEDILLA L. JANSON, MLIS**
College Librarian

**CLUSTER MEMBERS (N/A)**

**Beverly Grace B. Balderaz, DBM**
Agribusiness Instructor

**Harih [illegible]. Lopez, DBM**
Agribusiness Instructor

(+63) 939924-0793 op@dssc.edu.ph www.dssc.edu.ph