**IN THE NAME OF GOD**

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**its profitability is greater than the average profitability for all firms in its industry. The greater the extent to which a company’s profitability exceedsthe average profitability for its industry, the greater is its competitive advantage.**

**A company is said to have a sustained competitive advantage when it is able to maintain above- average profitability for a number of years.**

**Companies like Walmart, Southwest, and Dell Computers have had a significant and sustained competitive advantage because they have pursued firm- specific strategies that result in superior performance.**

**It is important to note that in addition to its strategies, a company’s performance is also determined by the characteristics of the industry in which the company competes.**

**Different industries are characterized by different competitive conditions.. In some, demandis growing rapidly, while in others it is contracting. Some might be beset by excess capacity and persistent price wars, others by strong demand and rising prices.**

**In some, technological change might be revolutionizing competition.**

**Others might be characterized by a lack of technological change.**

**In some industries, high profitability among incumbent companies might induce new companies to enter the industry, and these new entrants might depress prices and profits in the industry.**

**In other industries, new entry might be difficult, and periods of high profitability might persist for a considerable time.**

**Thus, the average profitability is higher in some industries and lower in other industries because competitive conditions vary from industry to industry.**

**Competitive Advantage**

**The advantage over rivals achieved when a company’s profitability is greater than the average profitability of all firms in its industry.**

**Sustained Competitive Advantage**

**The competitive advantage achieved when a company is able maintain above- average profitability for a number of years**

**Strategic Managers**

**Managers are the lynch pin in the strategy- making process.**

**It is individual managers who must take responsibility for formulating strategies to attain) a competitive advantage and putting those strategies into effect. They must lead the strategy- making process.**

**Here we look at the strategic roles of different managers.**

**Later in the chapter we discuss strategic leadership, which is how managers can effectively lead the strategy- making process**

**In most companies, there are two main types of managers: general managers ,who bear responsibility for the overall performance of the company or for one of its major self- contained subunits or divisions, and functional managers ,who are responsible for supervising a particular function, that is, a task, activity, or operation, like accounting, marketing, Research & Development, information technology, or logistics.**

**A company is a collection of functions or departments that work together to bring a particular product or service to the market.**

**If a company provides several different kinds of products or services, it often duplicates(these functions and creates a series of self- contained divisions (each of which contains its own set of functions) to manage each different product or service.**

**The general managers of these divisions then become responsible for their particular product line.**

**The overriding concern) of general managers is for the health of the whole company or division under their direction; they are responsible for deciding how to create a competitive advantage and achieve high profitability with the resources and capital they have at their disposal.**

**Figure 1.1 shows the organization of a multidivisional company,that is, a company that competes in several different businesses and has created a separate self- contained division to manage each of these.**

**As you can see, there are three main levels of management: corporate, business, and functional.eneral managers are found at the first two of these levels, but their strategic roles differ depending on their sphere of responsibility.**

**General Managers**

**Managers who bear responsibility for the overall performance of the company or for that of one of its major self- contained subunits or divisions.**

**Functional Managers**

**Managers responsible for supervising a particular function— that is, a task, activity, or operation, like accounting, marketing, Research & development, information technology, or logistics.**

**Multidivisional Company**

**A company that competes in several different businesses and has created a separate, self- contained division to manage each of them.**

**Corporate- Level Managers**

**The corporate level of management consists of the chief executive officer (CEO), other senior executives, the board of directors, and corporate staff. These individuals occupy the apex of decision making within the organization.The CEO is the principal general manager.**

**In consultation with other senior executives, the role of corporate- level manager is to oversee the development of strategies for the whole organization. This role includes defining the goals of the organization, determining what businesses it should be in, allocating resources among the different businesses, formulating and implementing strategies that span individual businesses, and providing leadership for the entire organization.Consider General Electric as an example.**

**GE is active in a wide range of businesses, including lighting equipment, major appliances, motor and transportation equipment, turbine generators, construction and engineering services, industrial electronics, medical systems, aerospace, aircraft engines, and financial services.**

**The main strategic responsibilities of its CEO, Jeffrey Immelt, are setting overall strategic goals, allocating resources among the different business areas, deciding whether the firm should divest itself of any of its businesses, and determining whether it should acquire any new ones. In other words, it is up to Immelt to develop strategies that span individual businesses; his concern is with building and managing the corporate portfolio of businesses to maximize corporate profitability.**

**It is not his specific responsibility to develop strategies for competing in the individual business areas, such as financial services.**

**The development of such strategies is the responsibility of the general managers in these different businesses or business- level managers.**

**However, it is Immelt’s responsibility to probe the strategic thinking of business- level managers to make sure that they are pursuing strategies that will contribute toward the maximization of GE’s long- run profitability, to coach and motivate those managers, to reward them for attaining or exceeding goals, and to hold them to account for poor performance.**

**Corporate- level managers also provide a link between the people who oversee the strategic development of a firm and those who own it (the shareholders).**

**Corporate- level managers, and particularly the CEO, can be viewed as the agents of shareholders.It is their responsibility to ensure that the corporate and business strategies that the company pursues are consistent with maximizing profitability and profit growth.**

**If they are not, then ultimately the CEO is likely to be called to account by the shareholders.**

**Business - Level Managers**

**A business unit is a self- contained division (with its own functions— for example, finance, purchasing, production, and marketing departments) that provides a product or service for a particular market.**

**The principal general manager at the business level, or the business- level manager, is the head of the division.**

**The strategic role of these managers is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.**

**At GE, a major corporate goal is to be first or second in every business in which the corporation competes. Then the general managers in each division work out for their business the details of a business model that is consistent with this objective**

**Business Unit**

**A self- contained division that provides a product or service for a particular market.**

**A**- **Complete the following sentenceswith the best choice of (a), (b), (c) or d**:

**1**-**Acording to the passage a company is said to have a competitive advantage over its rivals when**……….

A .is able to maintain its average profitability for a number of years.

B .is able to change competitive conditions.

C .the average of the profitability of the company is greater than all other firms

D .itfollows specific strategies for better performance.

**2**-**The average profitability of a company of some industries is not the same for a company in that**……..

A .Companies are different in their structures.

B. They pursue superior strategies.

C. They followsustained competitive procedures.

D. Competitive situations are not the same for all industries.

**3-Which of the following statement is said to beas acompetitive condition?**

A. High profitability among companies

B.Sustained competitive strategies

C. Low and high industries

D. Entrance of new companies

**4-General managers are responsible for**…….

A.Providing several products.

B.Preparing appliancesand capitalfor the company.

C. Creating sub-contained divisions.

D. Overall performance of the company.

**5. According to the passage the acronym“CEO” stands for…..**

A. Chief executive officer.

B.Cooperative export organization.

C. Central export office.

D. Certificate European organization.

**6-Business-level- managersare concerned with……**

A. The strategiesthat span individual business.

B.The strategiesthat is specific to a particular business.

D. Business models that is consistent with given objectives.

D. Strategies that contribute to the maximum of profitability.

**7. Corporate-level manager does the following responsibilities except for……**

A.Predicting the development of strategies.

B. Defining the goals of the organization.

C. Determining what business should be done.

D. Maximizing profitability and profit growth strategies.

**8- The characteristics of the industry in which the company competes determines the……**

A.Company’s capacity.

B. Company’sperformance.

C. Company’shigh technology.

D. Company’s marketing.

**9-Functional managers are responsible for the following duties except for…….**

A. Research and development.

B. Logistics.

C.Providing capital for the company.

D.Accounting.

**10-corporate-level managers are concerned with……**

1. Strategies that span individual businesses.

B. Translating the general statements of direction.

C.Maximizing the company profitability.

D .Providing services for particular market.

**B-Choose the synonym of the underlined words from words given in bracket.(One word is extra)**

**{Continue-go beyond a limit-company-reserve-change}**

**11**-A firm is a collection of functions and departments.

**12**-Many organizations prefer to revolutionize the traditional ways of their administration.

**13**-Japan tries to sustain its status in automobile manufacturing in the world.

**14**-High quality production of goods by an industrial organization exceeds its profit.

**C-True or False?**

**15**-Different competitive conditions result in different industries.(T/F)

**16**-The entrance of new companies lowers the prices and profits in any industry.(T/F)

**17**-A company is said to have a sustained advantage if it is able to keep the average profitability for a number of years.(T/F)

**18**-The average profitability is dependent on the kind of industry.(T/F)

**19**-Supervising on information technology is the responsibility of a functional manager in a company.(T/F)

**20**-Business-level manager provides a link between shareholders and the people who oversee the strategic development of a company.(T/F)

**21**-Allocating resources among different business areas is carried out by CEO in an industrial organization.(T/F)

**22**- Having united sections of management is the core characteristic of amultidivisional company(T/F)

**23**-Research and development are the managerial strategies in a company.(T/F)

**24**-Specific strategies result in superior performance for any given organization.(T/F)

**D- Choose the best appropriate word for each sentence.**

**25**-Some industries might be characterized by a lack of…….change.

a. technological b.industiralc.financiald.economical

**26**-The average ……is higher in some industries and lower in others.

a.profitabilityb.acceptabilityc.probabilityd.functionality

**27**-In some industries …. of profitability might persist for a considerable time.

a.periodb.degreec.processd.plan

**28**-General and functional managers are responsible for……..a particular function.

a.supervisingb.designingc.analyzingd.allocaing

**29**-The ……concern of general managers is for the health of the whole company.

a.overridingb.promissingc.trivilingd.rising

**30**-If a company provides different kinds of……or services, subsequently it duplicate its functions as well.

a.productb.conductc.contactd.abstract

**31**-There are lots of resources and capitals at the ….of general managers of a company.

a.disposal b .proposal c.principald.critical

**32**-General managers are responsible for the……performance of the company

a.overallb.finalc.minerald.trivial

**33**-In consultationwith other senior ….., the role of corporate-level manager is to oversee the development of strategies of the company

a.excecutivesb.producersc.distributorsd.advisors

**34**-providing……… for the entire organization is the main responsibility of the principal general manager.

a.leadershipb.relationshipc.friendshipd.scholarship

**E-Define and explain the following questions.**

**35**-What is the difference of “competitive advantage” and “sustain competitive advantage”?

**36**-Justify howa difference of industries is characterized bya differencein situations of competition.

**37**-Is average profitability the same for all industries? Justifyyour answer.

**38**-Define the two maintypes of managers in a company.

**39**-provide a definition for a “company”.

**40**-What is a “multidivisional “company?

**41**-Concerning “strategies”what is the main focus of both “business managers” and “corporate –level managers”?

**F-Answer the following questions on your own.**

**42-**What do you infer by “strategic Management”?

**43**-What is the main idea of this sketch in general?

**G-Cloze Test**:

**Read the passage below and decide which choice (a),(b),(c) or (d) best fits each space.**

**{ (1)effectively(2)attain(3)bear(4)strategic(5)concern(6)achieve(7)information)(8)oversee (9)pursue(10)levels}**

General Managers are the lynch pin in making strategic decisions to manage …**1**… their companies. They put those strategiesintoeffect to …**2**…. a competitive advantage. They …**3**.the responsibility for the whole performance of the company. Their strategic…**4**..in promoting the affairs of the company is undeniable.In other words, the main ….**.5**…of general managers isto…….**6**….high profitability with the resources and capital allocated for the company. While functional managers are responsible for controlling specific functions such as an activity or …**7**.. technology the role of corporate-level managers is to…..**8**…the development of strategies of the organization.Meanwhile business managers try to ensure that the corporate and business strategies that the company …**.9**…are consistent with increasing profitability and profit growth .As you might infer up to now there are three …**10**… of management.

1. a.effectivelyb.prominentlyc.definitlyd.probably
2. a.attainb.retainc.containd.maintain
3. a.bearb.carec.fared.tear
4. a.strategicb.politicc.economicd.tragedic
5. a.concernb.discernc.returnd.stern
6. a.achieveb.receivec.decieved.conceive
7. a.informationb.reformationc.conformation d. reservation
8. a.overseeb.overridec.overlookd.overlearn
9. pursue b.perspirec.prefer d. present
10. a.levelsb.layersc.lawyersd.lowers

**H-Match the words in A with the words given in B.(Five extra words are given):**

**1-** Rival=**[a]-work, act in a special way**

**2**-Exceed=**[b]access, be allowed to use money for sth**

**3**-Function=**[c]copy the same work or task**

**4-**Disposal=**[d]directing a company**

**5-**Consistent =**[e]assets, money**

**6**-Duplicate=**[f]tools**

**7**-Leadership=**[h]determine the place or the case of sth**

**8**-Capital=**[j]one who owns a company or part of it**

**9**-Strategy =**[k]someone whom you are competing with**

**10**-Appliance=**[l]presenting data in numbers**

**11**-Execution=**[m]continue to exist or happen**

**12**-Allocation=**[o]stretch sth to other parts**

**13**-Span=**[p]sum of money used in business**

**14**-Shareholder=**[r]not being friendly**

**15**-Motivate=**[q]performing a different task**

**16**-Maintain=**[s]try to have sthfor longer time**

**17**-persistent=**[t]cause sb to behave in a particular way**

**18**-Bear=**[u[giving sth to a particular company or person**

**19**-Consultation=**[v]a person who is in charge of an organization**

**20**-Ultimately=**[w]be in use at any time**

**[x]finally**

**[y]decrease**

**[g]performing a task**

**[n]discussion between many people**