



# An Introduction to Business Strategy



# What is Strategy?

- **A company's objectives and philosophy**
- **Defining strategy**
  - **the five 'Ps' of strategy**
    - a plan
    - a ploy
    - a pattern of behaviour
    - a position with respect to others
    - a perspective
  - **strategy as a mix of the five Ps**

# What is Strategy?

- **Strategic management**
  - **strategic and day-to-day management**
  - **the components of strategic management**
    - **strategic analysis**
    - **strategic choice**
    - **strategic implementation**
  - **different business types**
    - **big or small business**
    - **manufacturing or service provider business**
    - **domestic or multinational business**
    - **private-sector or public-sector business**
    - **for-profit or not-for-profit organisations**

# Strategic Analysis

- **Factors affecting strategic choices**
- **The business environment**
  - **PEST analysis**
  - **Porter's five forces model**
    - the bargaining power of suppliers
    - the bargaining power of buyers
    - the threat of potential new entrants
    - the threat of substitutes
    - the extent of competitive rivalry

# Porter's Five Forces Model

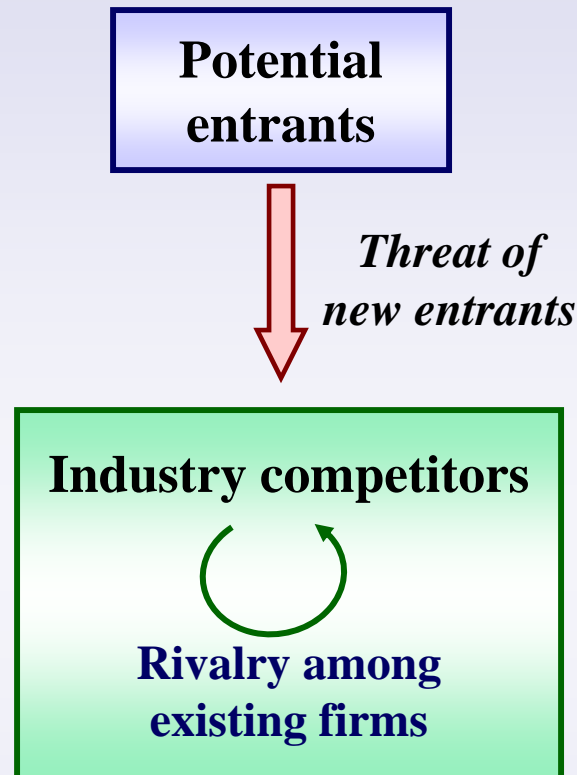


**Industry competitors**

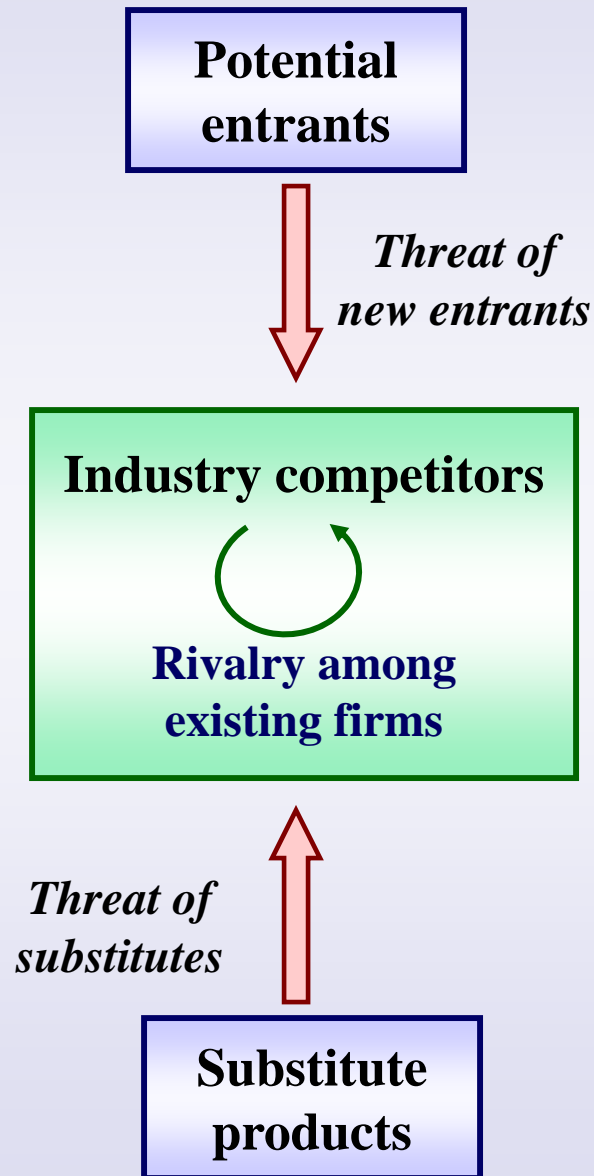
# Porter's Five Forces Model



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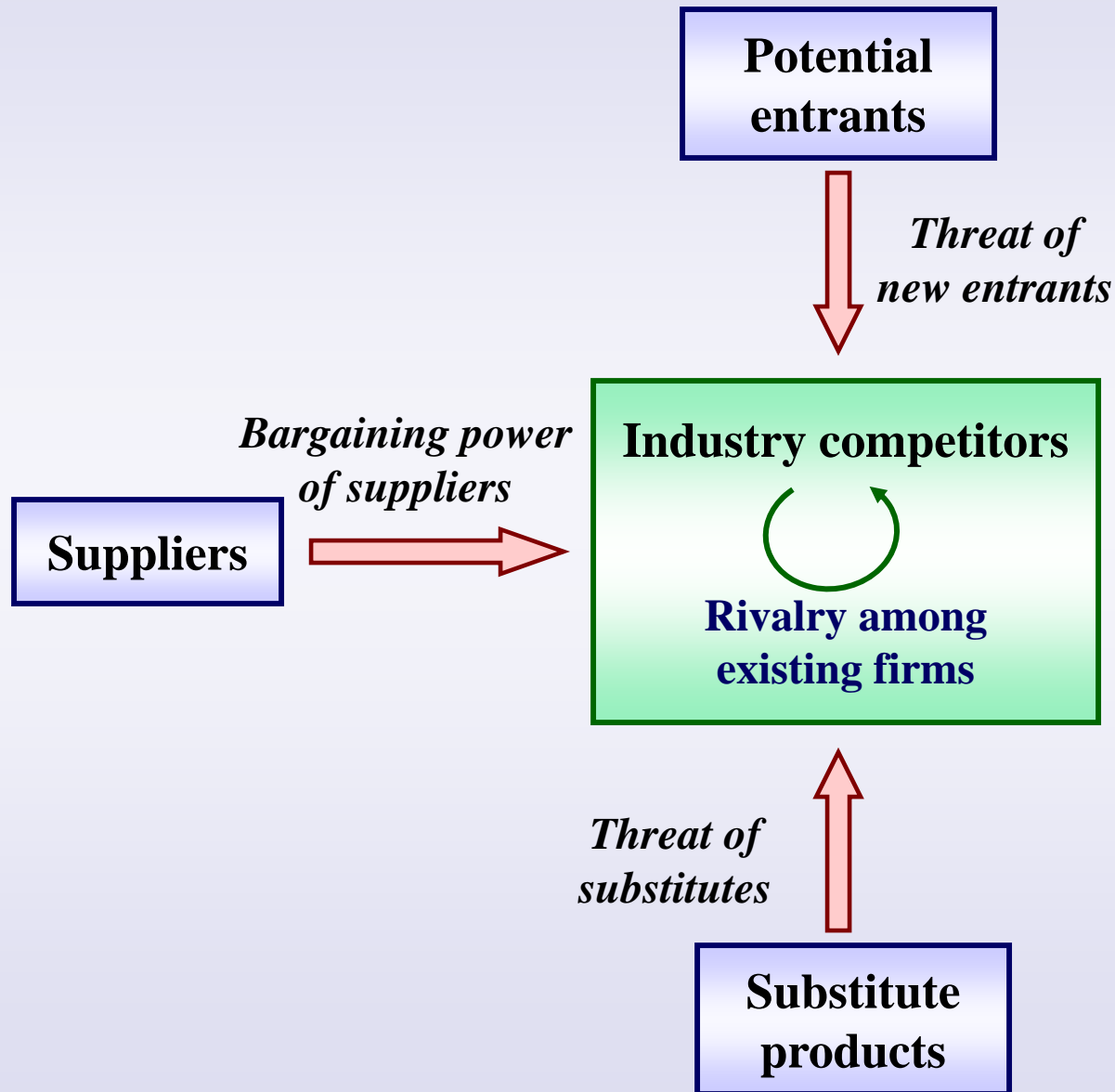


# Porter's Five Forces Model

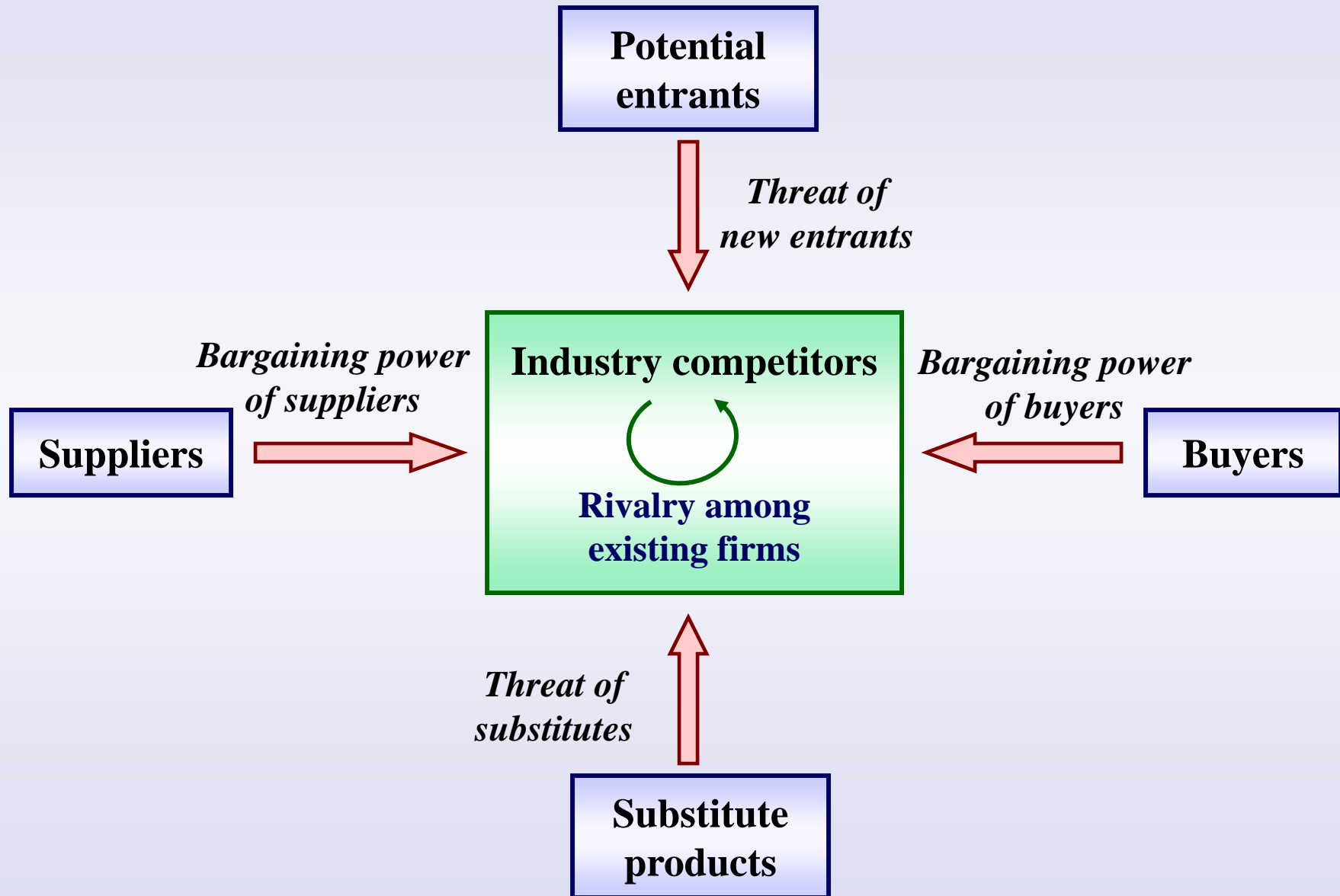




# Porter's Five Forces Model



# Porter's Five Forces Model



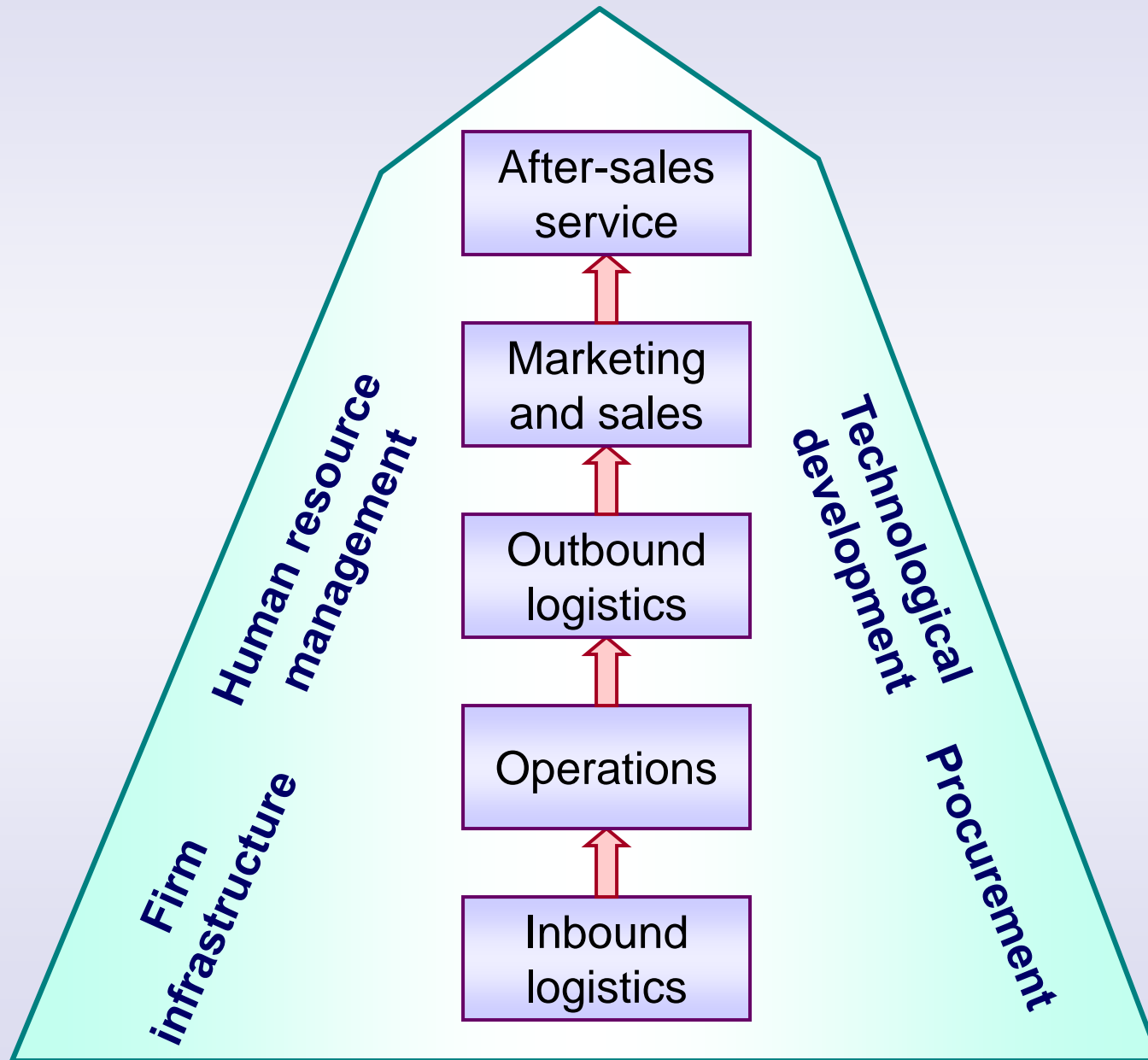
# Strategic Analysis

- **Porter's five forces model (cont.)**
  - **Factors affecting each of the forces**
    - the bargaining power of suppliers
    - the bargaining power of buyers
    - the threat of potential new entrants
    - the threat of substitutes
    - the extent of competitive rivalry
  - **Limitations of the five forces model**

# Strategic Analysis

- **Value chain analysis**
  - **nature of value chain analysis**
    - **sustainable competitive advantage**
  - **the value chain**
    - **primary activities**
      - **inbound logistics**
      - **operations**
      - **outbound logistics**
      - **marketing and sales**
      - **service**
    - **secondary activities**
      - **procurement**
      - **technological development**
      - **human resources management**
      - **firm infrastructure**

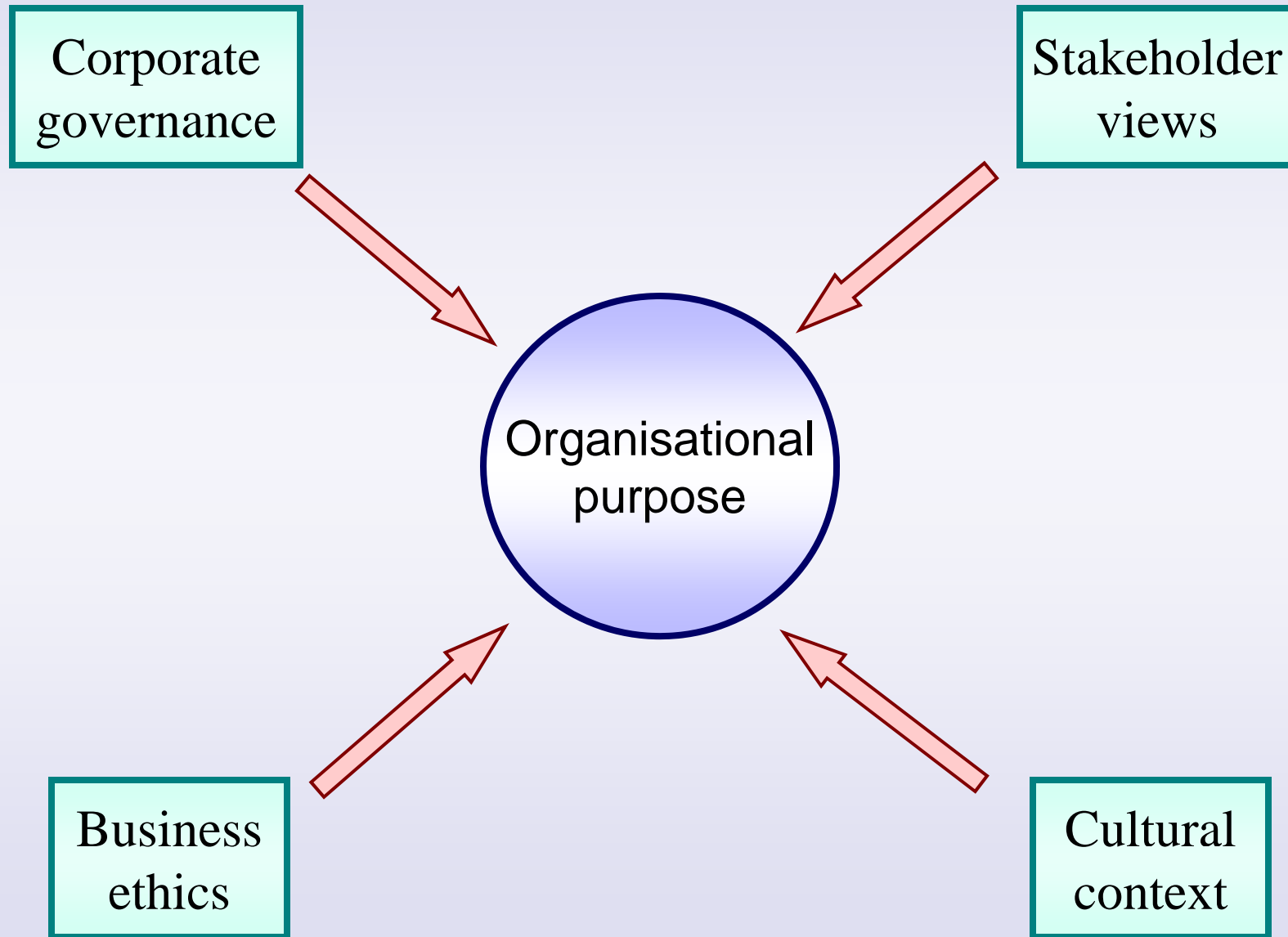
# The value chain



# Strategic Analysis

- **Vision and mission**
  - attitudes towards various stakeholders
  - influences on a firm's vision and mission

# Factors influencing organisational purpose



# Strategic Choice

- **Environment or market-based strategy**
  - **types**
    - cost leadership
    - differentiation
    - focus
  - **importance of establishing:-**
    - the basis of a firm's competitive advantages
    - the nature of the target market
- **Resource-based strategy**
  - **exploiting core competencies**
  - **defining and establishing core competencies**



# Business Strategy in a Global Economy

- **Why go global?**
  - **market size**
  - **increased profitability**
    - **location economies**
    - **scope for significant cost reductions**
    - **using core competencies**
    - **learning from experience in diverse markets**
  - **spreading risks**
  - **keeping up with rivals**
- **The global strategy trade-off**
  - **economies of scale or higher costs of customisation?**
    - **determinants of trade-off**

# Strategy: Evaluation and Implementation

- **Evaluation**

- **importance of weighing up alternative strategies**

- how feasible are they?
- how do they relate to the firm's goals?
- how will they affect the firm's competitive position?

- **Implementation**

- **need to assess the following**

- resourcing
- business culture and structure
- managing change