Chapter 1: What is Business Strategy?

Learning Objectives

Studying this chapter should provide you with the knowledge to:

* Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.
* Summarize the information that the company’s mission and thorough external and internal analysis provide to guide strategy.
* Discuss how strategies are formulated and implemented in order to achieve objectives and
* Explain who is responsible for, and who benefits from, good business strategy.

Purpose

There is no principle tool to be learned in this chapter however the purpose of this lecture is to familiarize the students with what strategy is and leave them with a realization that being able to understand a strategy is vital to being competitive.

Please note that the “Presenters Notes” in the PowerPoint slide deck give a brief script for lecture and can be used as a guide.

Outline

***Strategy at Apple***

WHAT IS BUSINESS STRATEGY?

Competitive Advantage

**Strategy in Practice:** *Measuring American Home Products’ Competitive Advantage*

The Strategic Management Process

WHAT INFOR MATION AND ANALY SIS GUIDES STRATEGY FORMULATION?

Mission

External Analysis

Internal Analysis

**Strategy in Practice:** *Apple’s Evolving Mission*

HOW ARE STRATEGIE S FOR MULATED

Strategy Vehicles for Achieving Strategic Objectives

Strategy Implementation

WHO IS RESPONSIBLE FOR BUSINESS STRATEGY?

**Strategy in Practice:** *Walmart Functional Strategies Implement the Overall Strategy*

Who Benefits from a Good Business Strategy?

**Ethics and Strategy:** *The Price Companies Pay to Stay Competitive*

Why You Need to Know Business Strategy

Summary • Key Terms • Review Questions • Application Exercises • References

Answers to Review Questions

1. Why is it important for you to understand business strategy?

*When starting a company or being president or general manger within a company, developing strategy is a primary job. As a junior in a company, developing and implementing ides that are consistent with corporate strategy could lead to early promotions. You can also evaluate the potential success of companies that you may work for by understanding strategy.*

1. How would you describe/define strategy?

*A plan to achieve competitive advantage*

1. What are the four choices that are part of strategy formulation?

*What markets or industries the company will pursue?*

*What unique value to offer the customer in those markets?*

*What resources and capabilities will allow the firm to deliver that unique value better than competitors?*

*How the company will sustain its advantage and prevent imitation of its strategy by competitors?*

1. What are the two generic strategies, or primary ways, in which companies attempt to offer unique value relative to competitors?

*Low cost or differentiation*

1. Who is ultimately responsible for a company’s strategy? Who does this individual (or individuals) call upon for help in formulating strategy for the firm?

*Strategic leaders who develop strategy through the strategic management process. They usually turn to the Board of Directors and other top management.*

1. According to Michael Porter’s “Five Forces” model, why do some firms earn higher profits than other firms?

*Firms with higher profits may be in a more profitable industry that has higher average profitability*

1. What are resources and capabilities, what is the difference between them, and why do firms need to assess them?

*Resources are the tangible and intangible assets a firm employs to create value and competitive advantage. Capabilities are the processes and activities that a firm develops in using its resources. Firms need to assess resources and capabilities in order to allocate them to achieve key objectives.*

1. What are three keys to the successful implementation of a company strategy?

*Functional strategies need to be well aligned with delivering the unique value identified in the overall strategy*

*Structure, systems, staff, skills, style, and shared values need to be designed to facilitate the execution of the strategy*

1. Who are the four primary stakeholder groups that influence strategic decisions in a company?

*Capital market stakeholders*

*Product market stakeholders*

*Organizational stakeholders*

*Community stakeholders*