

Introduction to business

Business strategy

Question for next week

- Why milk cartons generally have rectangular shape while soft drinks cylindrical?



Objectives of strategic management

- Strategy – description of the way in which an organisation addresses its fundamental challenges over a medium to long term.
- Henry Mintzberg concept of „five Ps” of business strategy. A strategy can be:
 - A plan
 - A ploy
 - A pattern of behaviour
 - A position with respect to others
 - A perspective

Strategic management

- The management of the strategic long-term activities of the business including:
 - Strategic analysis – focus on factors determining business performance both internal (product development, human resources) as well as external (competitive environment, technology)
 - Strategic choice – formulation and evaluation of alternative courses of action that can be adopted
 - Strategic implementation: how to put choices into effect.

Strategic analysis

- What the organization is about (mission)?
- How it envisages where it wants to be (vision)?
- Both influenced by corporate governance – structure of decision making (including relation with stakeholders), business ethics and cultural context.
- More than just profitability!

Business environment

- M.Porter's Five Forces Model of competition:
 - 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.

However, it is a static view of the business environment, while in reality it is constantly changing. Moreover, exclusion of co-operation possibilities. Also neglected human resources and company's culture.

Value chain analysis

- Value chain (also M.Porter): The stages or activities that help to create product value (how value is added to a product as it moves through production process).
- Two sets of activities: primary and support
 - Primary: inbound and outbound logistics, operations, marketing and sales, service.
 - Support: procurement, technological development, human resource management, firm infrastructure.

Strategic choice

- Two broad categories of strategic choice theories:
 - Market-based
 - Resource-based (core competencies – key skills of a business that underpin its competitive advantage)
- Three fundamental (again M.Porter!) market-based strategies:
 - Cost leadership
 - Differentiation
 - Focus

Strategy in a global economy

- Why go global?:
 - Market size
 - Increased profitability
 - Location economies – internationalization of value chain enable to place each value –created activity in the most appropriate place.
 - Cost reduction (scale economies, learning by doing)
 - Using core competencies
 - Spreading risk
 - Keeping up with rivals