

**Wrap Up from 1st class + 2nd
class**
WIUU BBA Business Policy

1. What Is Strategy and Why Is It Important?

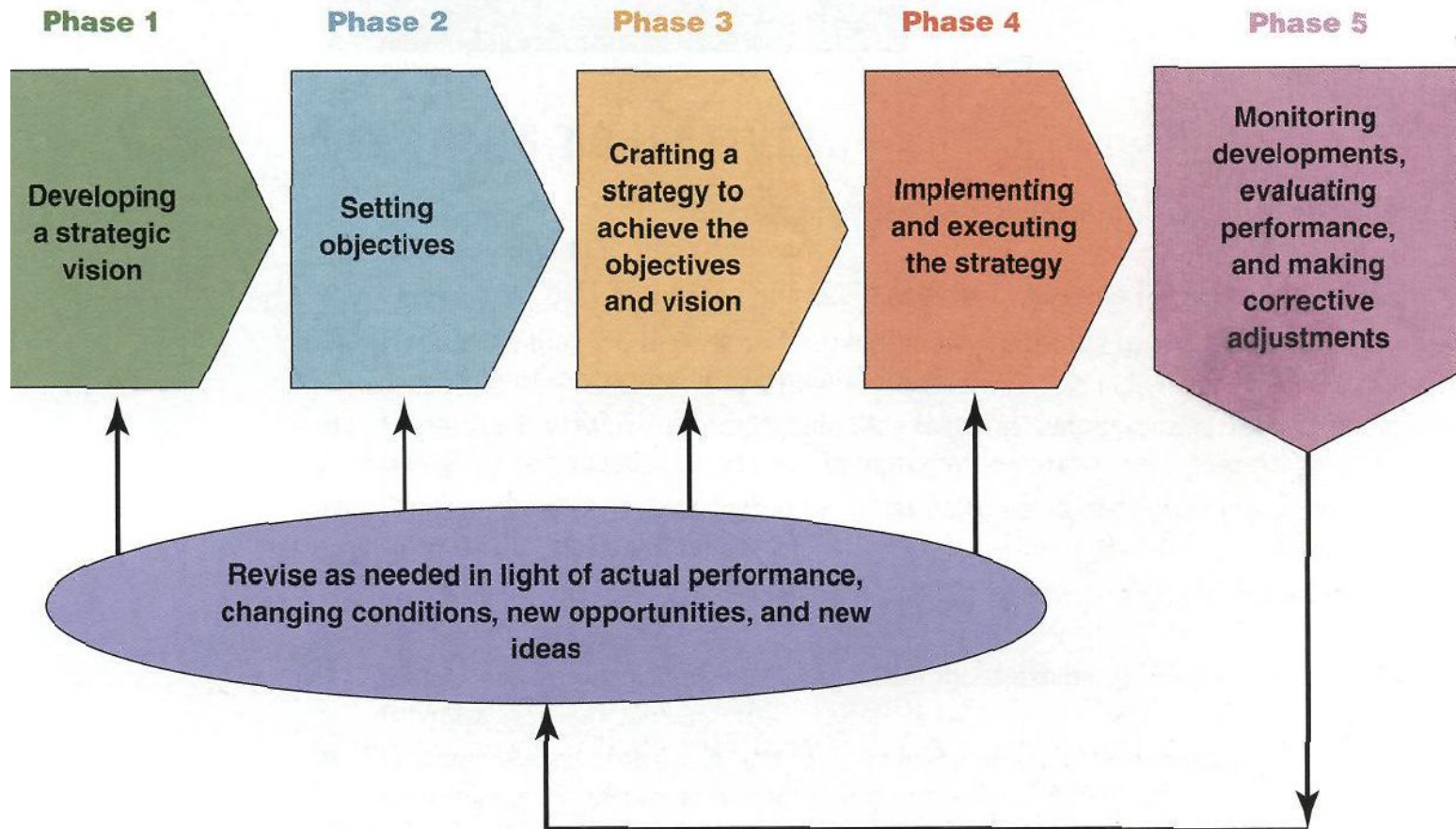
1.1 What do we mean by strategy?

CORE CONCEPT

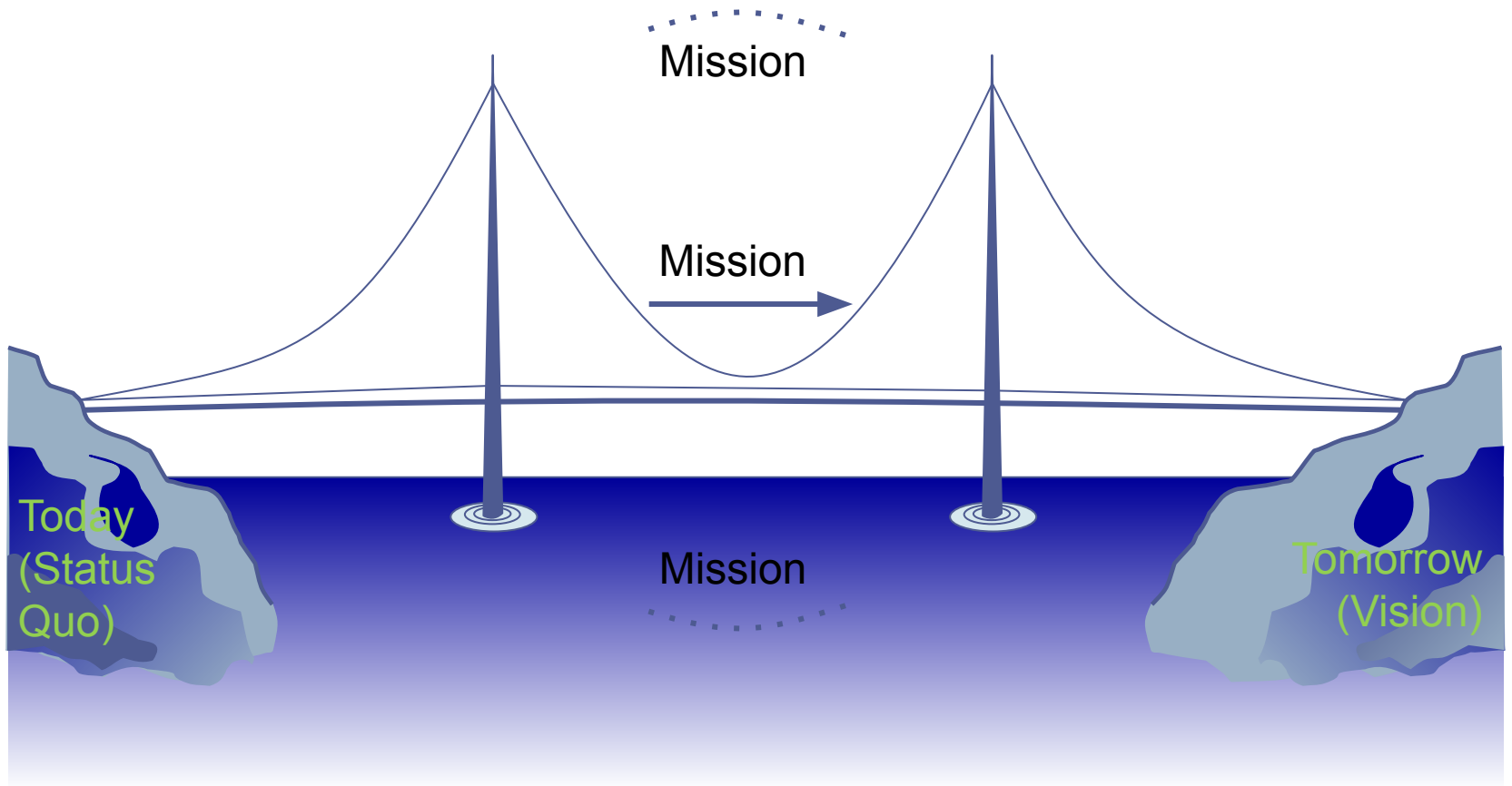
A company's strategy consists of the competitive moves and business approaches that managers are employing to grow the business, attract and please customers, compete successfully, conduct operations, and achieve the targeted levels of organizational performance.

How the strategy evolves?

Figure 2.1 The Strategy-Making, Strategy-Executing Process



Vision vs. Mission



4 of the most frequently used strategic approaches

1. Striving for being the industry's low cost provider
2. Creating a differentiation-based advantage keyed to such features as higher quality, wider product selection, added performance, value-added services more attractive design, technological superiority, or unusually good value for the money.
3. Focusing on serving the special needs and tastes of buyers comprising a narrow market niche.
4. Developing expertise and resource strengths that give the company competitively valuable capabilities that rivals can't easily match, copy, or trump with substitute capabilities.

2nd class
WIUU BBA Business Policy

1. What Is Strategy and Why Is It Important?

1.2 The Relationship between a company's strategy and its business model

CORE CONCEPT

A company's business model explains the rationale for why its business approach and strategy will be a moneymaker. Absent the ability to deliver good profitability, the strategy is not feasible and the survival of the business is in doubt.

Be clear on how to earn money (your Business Model)

1. Magazines: Generating sufficient subscription and advertising revenue to cover the costs of delivering their products to readers.
2. Razors (Gillette): Selling the razor at an attractively low price and then making money on repeat purchase of razor blades.
3. Printer Manufacturer: Selling printers at a low (virtually break-even) price and making large profits on the repeat purchase of printer supplies, especially ink cartridges.
4. Apple: besides earning on devices sells Apple earns significant part on Apple Store which is a platform for sales (like eBay or Amazon)
5. Microsoft (Windows): keeps source code and sells ready-made solutions for private and business sector, while renewing them over certain period of time

Amazon financials

billion USD	
Market Capitalization	164
Turnover 2013	70
Share Price	↑ year to year

6M, billion USD	2014	2013
Total Net Sales	39	32
Net Income	0.018	0.075

Competitive advantage

1. What Is Strategy and Why Is It Important?

1.3 What makes a winning strategy?

CORE CONCEPT

A winning strategy must fit the enterprise's external and internal situation, build sustainable competitive advantage, and improve company performance.

Resource Strength

CORE CONCEPT

A company's resource strengths represent competitive assets and are big determinants of its competitiveness and ability to succeed in the marketplace.

Resource Strength

CORE CONCEPT

A competence is an activity that a company has learned to perform well.

Resource Strength

CORE CONCEPT

A core competence is a competitively important activity that a company performs better than other internal activities.

Resource Strength

CORE CONCEPT

A distinctive competence is a competitively important activity that a company performs better than its rivals – it thus represents a competitively superior resource strengths.

Resource Strength

CORE CONCEPT

A distinctive competence is a competitively potent resource strength for three reasons:

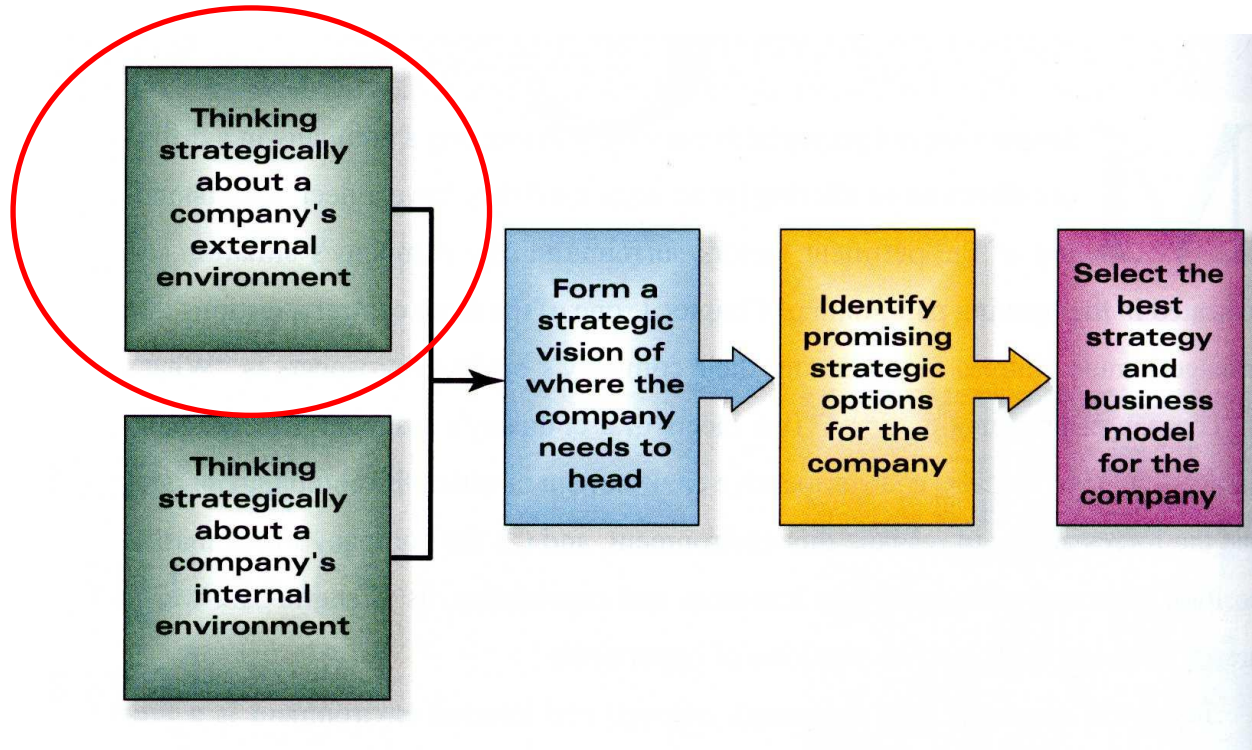
- a) It gives a company competitively valuable capability that is unmatched by rivals.
- b) It can underpin and add real punch to a company's strategy
- c) And it is a basis for sustainable competitive advantage.

3 questions to distinguish a winning strategy from a flawed:

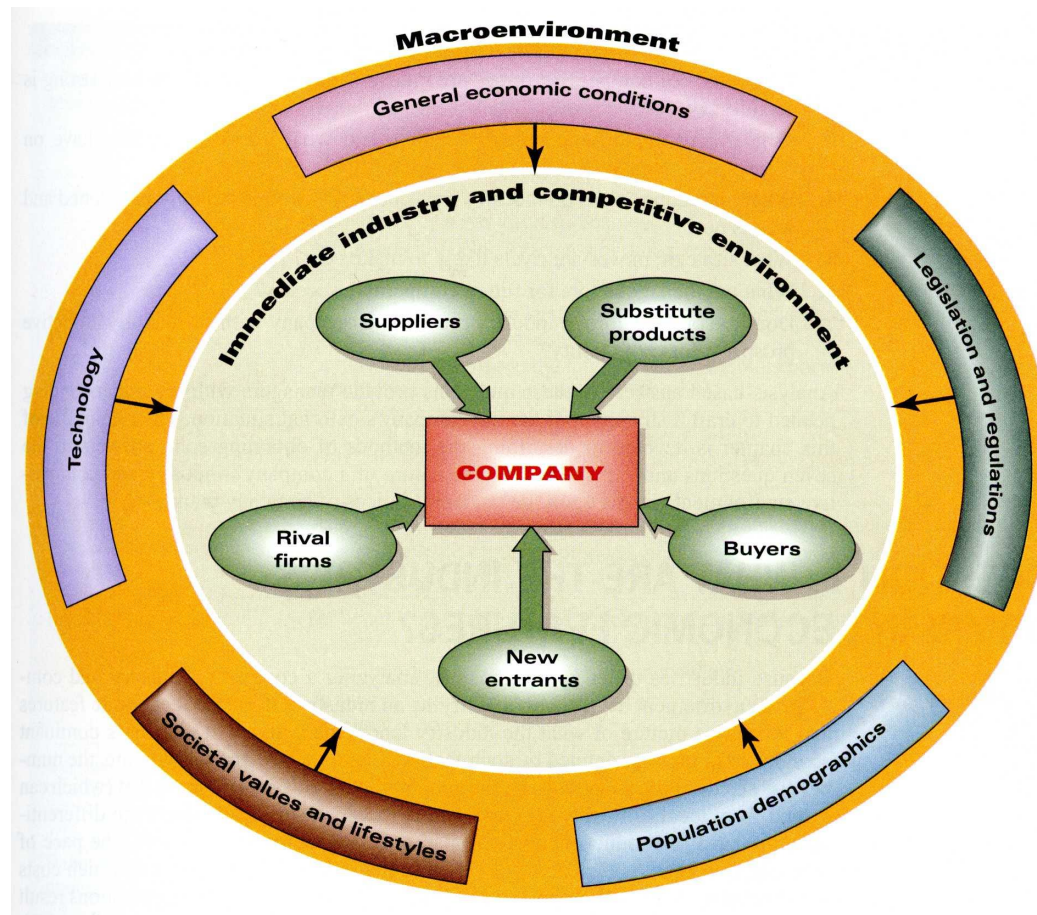
1. How well does the strategy fit the company's situation?
2. Is the strategy helping the company achieve a sustainable competitive advantage?
3. Is the strategy resulting in better company performance?

External Analysis

2. Crafting a company's strategy.



2. The Components of a Company's Macroenvironment



2. Tools to Evaluate a Company's External Environment

< **Industry's Dominant Economic Features?**

-> Describing the industry landscape. (e.g. market size, # of rivals, supply/demand conditions, # of buyers)

< **Competitive Forces. The 5-Forces-Model of Competition.**

-> To identify the nature and strength of competitive pressure in a given industry.

< **Driving Industry Forces**

-> The major underlying causes of changing industry and competitive conditions.

< **Strategic Group Map**

-> is a cluster of industry rivals that have similar competitive approaches and market positions.

< **Key Success Factors (for future competitive success)**

-> are the factors with the greatest impact on future competitive success in the marketplace.

Questions?

Homework

KEY Task

- Read chapter 4
- Define for your projects and be ready to present: business model, vision, mission, external analysis