



BANG COLLEGE OF BUSINESS
Department of Management and Marketing
Spring 2020



COURSE CODE: MGT 4201
COURSE TITLE: Strategy and Business Policy –Section 3
CREDIT: 3
CLASS TIME AND PLACE: Monday and Wednesday
(14:30-15:45)
2/Valikhanov Building
FACULTY: Monowar Mahmood, Ph. D.
OFFICE HOURS: Monday & Wednesday (16:00 - 18:00)
337/Dostyk Building
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***FACULTY:* Monowar Mahmood**

MBA (International Business), Saint Mary's University, Canada

MA in HRM, University of Leeds, UK

Ph. D., Manchester Business School, University of Manchester, UK



COURSE/LEARNING OBJECTIVES

- 1. To provide a basic understanding of the nature and dynamics of the strategy formulation and implementation (strategy formulation and implementation)/micro-level**
- 2. To develop skills in business analysis and strategic thinking (problem solving)/micro-level**
- 3. To provide a framework that can be used to integrate with knowledge learned in other areas (integrated decision making)/both micro and macro level**

COURSE FORMAT/TEACHING METHODOLOGY

The format of the course is based on a mix of theoretical discussion and case analysis.

Classes will be used not only to review theory which is in the text book, but also to initiate discussion to clarify concepts and issue in the relevant chapters and readings, and for in-depth case analysis.

The case discussions will be guided by insights gained in the 'theoretical' readings and should lead to conclusions about the applicability of theoretical concepts in respective practical situations.



Indicative Assessment scheme

Continuous Assessments: (60%)


- **Mid-term-1: 30%**
- **Mid-term-2: 30%**

Final Assessments: (40%)

- **Final examination: 40%**

GRADING SCALE

Numerical Scores	Letter Grade	Points
90-100	A+	4.33
85-89	A	4.00
80-84	A-	3.67
77-79	B+	3.33
73-76	B	3.00
70-72	B-	2.67
67-69	C+	2.33
63-66	C	2.00
60-62	C-	1.67
57-59	D+	1.33
53-56	D	1.00
50-52	D-	0.67
Below 50	F	0.00



Class schedule	Topics/course contents
Week 1	Introduction; Strategy, meanings and elements Basic model of strategic management Strategy Vs. Business Model Vision, Mission, Goals and Objectives
Week 2	External Analysis: Environmental Scanning & Industry Analysis PEST and Five Forces analysis
Week 3	Internal Analysis: VRIO analysis Value chain analysis SWOT analysis
Week 4	Strategy Formulation-Corporate Strategy
Week 5	Strategy Formulation- Business Strategy
Week 6	Strategy formulation- Functional Strategy
Week 7	Strategy Implementation Programs, Budgets, and procedures Organization Structures
Week 8	Strategy Implementation Organization culture



Class schedule	Topics/course contents
Week 9	Strategy Evaluation and Control
Week 10	Exercise of Strategic Problem Solving
Week 11	Corporate Governance, CSR and Business Ethics
Week 12	Strategies for Technological Firms Strategies for NGOs
Week 13	International Strategy: Strategy for Global Market Global Sourcing and Corporate Strategy
Week 14	Corporate Strategy: Vertical Integration: Diversification, Mergers, and Strategic Alliance
Week 15	Kazakhstan: Economy, competitiveness, and ‘Kazakhstan-2050’
Week 16	Revisions



INSTRUCTIONAL MATERIALS

Text:

Thomas Wheelen & David Hunger (2017) Strategic Management and Business Policy, 15th Edition, Pearson Prentice Hall

Cases: Selected cases will be posted on L Drive



Use of mobile phone?

**How to manage the classes
effectively?????**



**The Course Title:
Strategy and Business Policy**

What is this course - all about ?

Today's Discussion???

**Strategy !
Business Model !!
Business Policy !!!**




First, what is a Strategy?

Your thought, your ideas, your assumptions



**Are we talking about simple
'plan'?**

**If not a simple 'plan', then what
are the differences between the
terms 'Plan' and 'Strategy' ?**



**What organizations will do in future
so that their performance will be
better than their competitors.**

**Also, how they will
accomplish/implement/execute
those plans.**



Definition of Strategy

Strategy is the long-term comprehensive master plan to gain competitive advantages (earning higher profitability/rate of return).

Strategy- Level/Types/Categories

Corporate Strategies

- What products or services? Which Markets?

• Products, Services and Markets?

Business Strategies

- How company could sale those products or services?

Functional Strategies

- Supportive strategies (marketing, finance, operations & HR) to achieve corporate and business strategies

1. **Corporate Strategy** (based on external analysis)
 - Concentration
 - Integration
 - Diversification
 - Etc.
2. **Business Strategy** (based on internal analysis)
 - Cost leadership
 - Differentiation
 - Focus
3. **Functional Strategy** (develop relating to Corporate and Business Strategies)
 - Marketing
 - Financial
 - HRM
 - Technological



How you will make better recommendations for corporate level strategies?

This decision could/should bring better performance (competitive advantage) for the company.



**How you will make better
recommendations for corporate
level strategies?**

**You need to conduct/look at
External - PESTLE and Five
Forces analysis**



**How you will make better
recommendations for business
level strategies?**

**This decision could/should bring/be a
source of competitive advantage for
the company.**



**How you will make better
recommendations for business
level strategies?**

**You need to conduct/look at
Internal - VRIO (resource and
capabilities) and Value Chain
(activities) analysis**



**How you will make better
recommendations for functional
level strategies?**

**You need to look at/follow corporate
and business level strategies first.
Then find the matching strategies to
achieve those strategies**



For successful business operations, you need to formulate detailed and comprehensive strategies.


The Strategic Management Process



Final Thought: Definition of Strategy

Strategy is the long-term comprehensive master plan (i.e., corporate, business, and functional level) to gain competitive advantages (higher profitability/rate of return).

It should maximize competitive advantage and minimize competitive disadvantage.



Strategy: Strategy is the long-term comprehensive master plan (i.e., corporate, business, and functional level) to gain/outperform competitors/competitive advantages (higher profitability/rate of return).

Corporate Strategy: Long-term plan to decide what products or services companies will sell and in which markets.

Business Strategy: How companies could sell their future products or services more than competitors products or services.

Functional Strategy: What different functional departments (i.e., marketing, accounting, finance, HRM, productions, R & D, etc.) will do to achieve corporate and business strategies.



BUSINESS MODEL

BUSINESS MODEL

The simplest definitions:

- **A business model is the way in which a company generates revenue and makes a profit from company operations.**
- **All it really meant was how you planned to make money.**

Elements of Business Model

Initial: Four interlocking elements which includes –

- 1.Customer Value Propositions, i.e., expectations :** An unique offering that you provide to your customers for a given price. This offering should help your customers to solve their problems or satisfy their needs.
- 2.Profit Formula, i.e., (revenue-cost):** Specifies how the company creates value for itself and shareholders by defining all costs and margins that will cover expenses. Is defines fixed cost structure of the company and its revenue streams.
- 3.Key Resources:** Combination of unique technology, people and everything that helps company to deliver the value to the customers. In other words it is everything that needed to make your business model work.
- 4.Key Activities, i.e., production, transportation, sales, delivery, etc.:** Delivering value in a structured way on a constant base. Or in other words combination of actions by which company delivers value to its customers.

Elements of Business Model

Later: Nine interlocking elements which includes –

- 1. Customer Segment**
- 2. Value Propositions**
- 3. Customer Relationships**
- 4. Cost Structures**
- 5. Revenue Streams**
- 6. Channels**
- 7. Key Resources**
- 8. Key Activities**
- 9. Key Partnerships**

Elements of Business Model

- .Customer segments** - include different target customers for each product or service of the company. Usually describes age, income and other characteristics of the customer that company aim to target.
- .Value propositions** - mix of product and services that company offers to its customers. Answers on the question, why customer should buy products or services of a particular company.
- .Customer relationships** - describes in what way company build relationships with its customers and how it should be maintained.
- .Channels** - media channels, events or everything that communicates with customers and delivers information about value propositions.
- .Revenue streams** - shows in details how revenues generated by the company. From which segment of business revenues come from and in what proportion.

Elements of Business Model

6. Key resources – defines most important assets of the firm that makes business model work. It can be land, employees, building or some immaterial things like intellectual property of the company or brand name.

7. Key activities – everything that company do in order to make their business model workable. In other words it is activities without which company will not work properly.

8. Key partnerships – describes relationship with the main partners of the company and how they interact with each other. Key partnerships sometimes play an important role in success of the company's business model.

9. Cost structure – defines all expenses that makes business model work. In automobile retailing sector cost structure defined by all cost that retailer face in order to operate on the market.

BUSINESS MODEL

A good business model answers the questions:

- **Who is the customer?**
- **What does the customer value?**
- **How do we make money in this business?**
- **What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?**

Strategy Vs. Business Model

Strategy is “how you will outperform the competitors” (i.e., in terms of profitability or shareholders expectations).

Business model is “explanations of who your customers are and how you plan to make money from them by providing value”/

‘How we could generate our desired revenues’



In the **business model** development process, focus is primarily on **customers**.

In **strategy** formulation process, focus is primarily on **competitors**.

Business model may not help an organization to achieve competitive advantage and outperform its competitors.



Business model is **thinking about the financial viability of a company**. If you are looking for just financial viability, then business model is enough.

Strategy is **how a company actually compete**. If you want superior performance, then strategy is essential.

BLUE OCEAN STRATEGY

How to Create
Uncontested Market Space
and Make the Competition Irrelevant

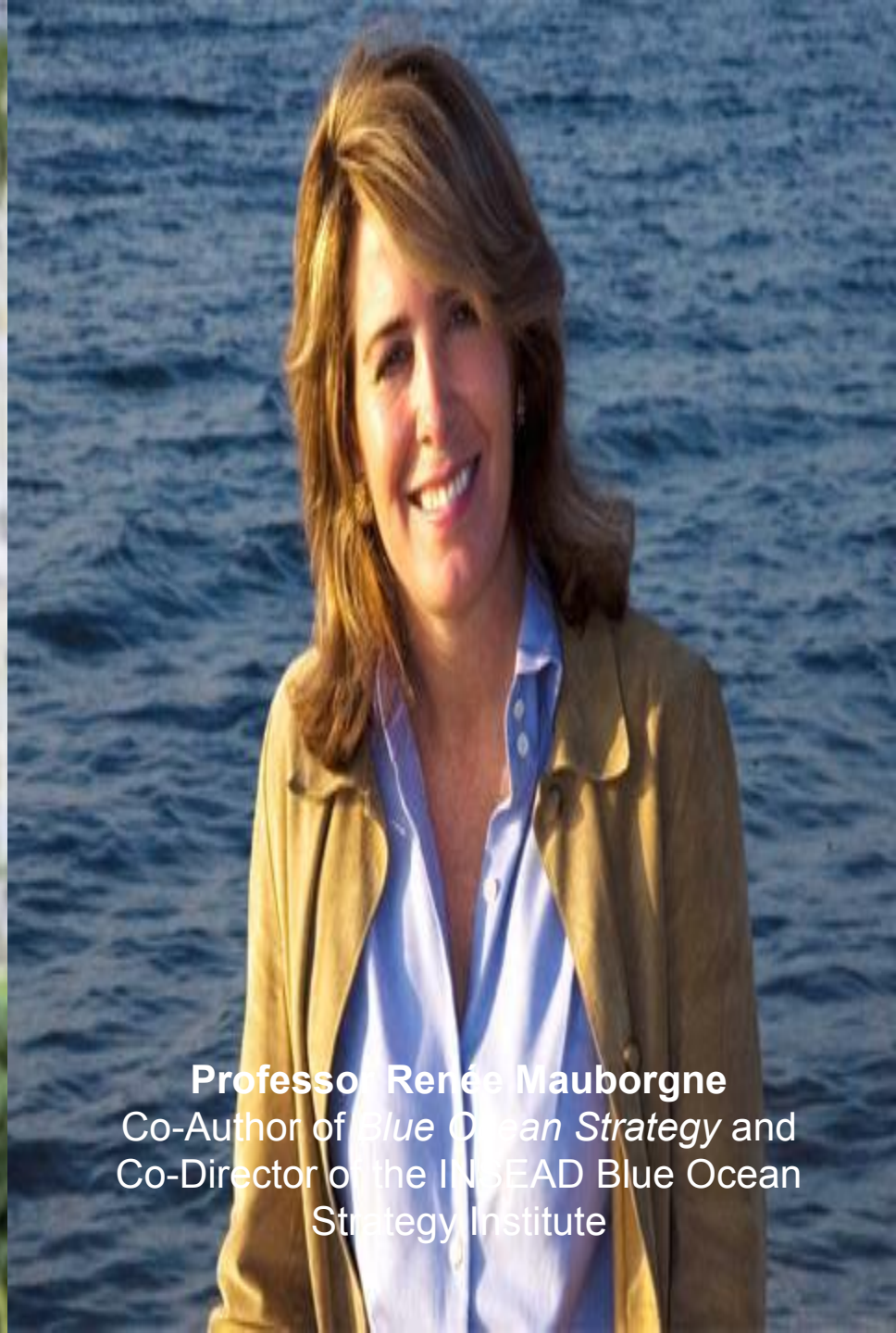
W. Chan Kim - Renée Mauborgne

HARVARD BUSINESS SCHOOL PRESS



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Professor Renée Mauborgne

Co-Author of *Blue Ocean Strategy* and
Co-Director of the INSEAD Blue Ocean
Strategy Institute

Think About It

- One hundred years ago:
- Car industry
- Aviation industry
- Music recording
- TV
- Pharmaceuticals
- Management consulting

**DID NOT
EXIST**

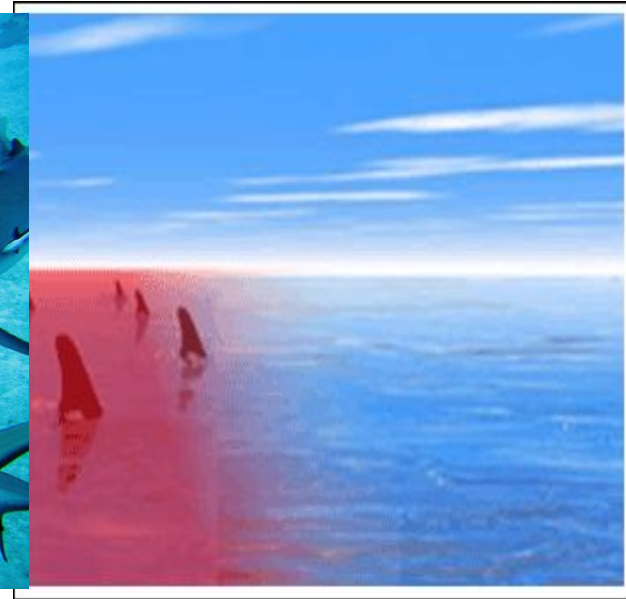
Think About It (2)

- **Thirty years ago:**
- Cell phones
- Internet
- Biotechnology
- Coffee bars
- Mass discount retail
- Complex financial services
- Snowboards

**DID
NOT
EXIST**

What is Blue Ocean Strategy?

Best understood in contrast to the 'red ocean'



The Red Ocean

'the known market space'

"in red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are well understood. Here, companies try to outperform their rivals in order to grab a greater share of existing demand. As the space gets more and more crowded, prospects for profits and growth are reduced. Products turn into commodities, and increasing competition turns the water bloody".

The Blue Ocean

'the unknown market space'

“untainted by competition...demand is created rather than fought over. There is ample opportunity for growth that is both profitable and rapid. There are two ways to create blue oceans....companies can give rise to completely new industries...but in most cases, a blue ocean is created from within a red ocean when a company alters the boundaries of an existing industry”.



Compete in existing market space

Beat the competition

Exploit existing demand

Make the value-cost trade-off

Align the whole system of a firm's activities with its strategic choice of differentiation or low cost

"Defend Current Position"
Perspective



Create uncontested market space

Make the competition irrelevant

Create and capture new demand

Break the value-cost trade-off

Align the whole system of a firm's activities in pursuit of differentiation and low cost

"Innovate & Pursue New Opportunities"
Perspective

Six Contrasts

Red Ocean Strategy

Focus on current customers

- Compete in existing markets
- Beat the competition
- Exploit existing demand
- Make the value-cost trade-off
- Align the whole system of a firm's activities with its strategic choice of differentiation OR low cost

Blue Ocean Strategy

Focus on noncustomers

- Create uncontested markets to serve
- Make the competition irrelevant
- Create and capture new demand
- Break the value-cost trade-off
- Align the whole system of a firm's activities in pursuit of differentiation AND low cost

Strategy Needs a Red/Blue Balance

- Theories and models of competitive advantage dominate
- However, Kim and Mauborgne argue that focus only on competitive advantage is wrong
- You need to understand it, but you need to have a parallel understanding of the blue ocean concept