



**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  
**E-MAIL:** [monowar@kimep.kz](mailto:monowar@kimep.kz)



*FACULTY:* **Monowar Mahmood**

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**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**

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- 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.**

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**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**

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## **Continuous Assessments: (60%)**


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

## **Final Assessments: (40%)**

- **Final examination: 40%**

## GRADING SCALE

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



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





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



## **INSTRUCTIONAL MATERIALS**

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### **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**



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**Use of mobile phone?**

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



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

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**What is this course - all about ?**

**Today's Discussion???**

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



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# **First, what is a Strategy?**


**Your thought, your ideas, your assumptions**



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

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



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**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.**



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# 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

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## 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



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

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



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

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



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

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



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**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**



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**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**



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

# The Strategic Management Process








# Final Thought: Definition of Strategy

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**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.**



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**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

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**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

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**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

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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**

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**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

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**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’**



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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.



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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**

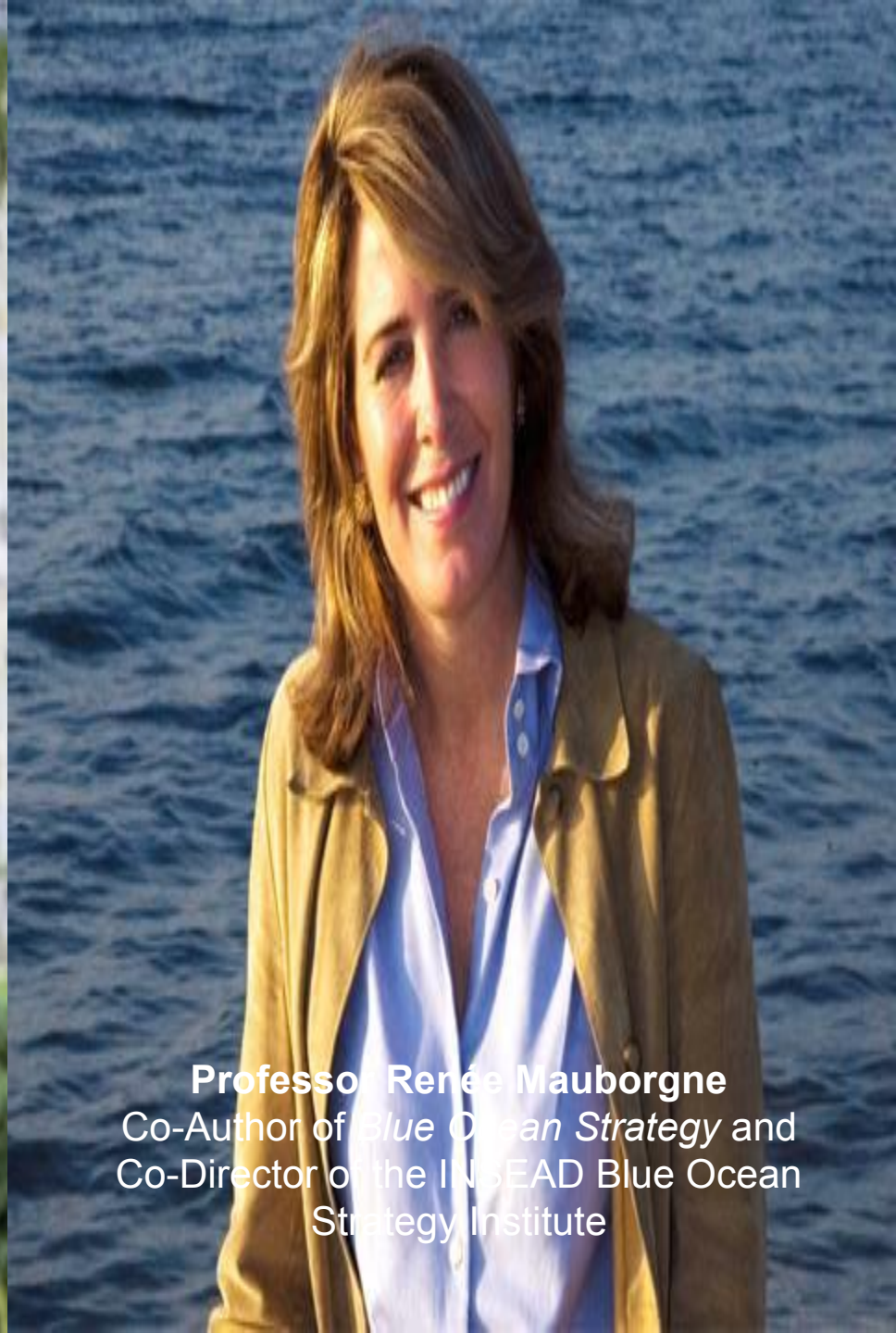
How to Create  
Uncontested Market Space  
and Make the Competition Irrelevant

**W. Chan Kim - Renée Mauborgne**

HARVARD BUSINESS SCHOOL PRESS



**Professor W. Chan Kim**  
Co-Author of *Blue Ocean Strategy* and  
Co-Director of the INSEAD Blue Ocean Strategy  
Institute



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

# Think About It

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

**DID NOT  
EXIST**

## Think About It (2)

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

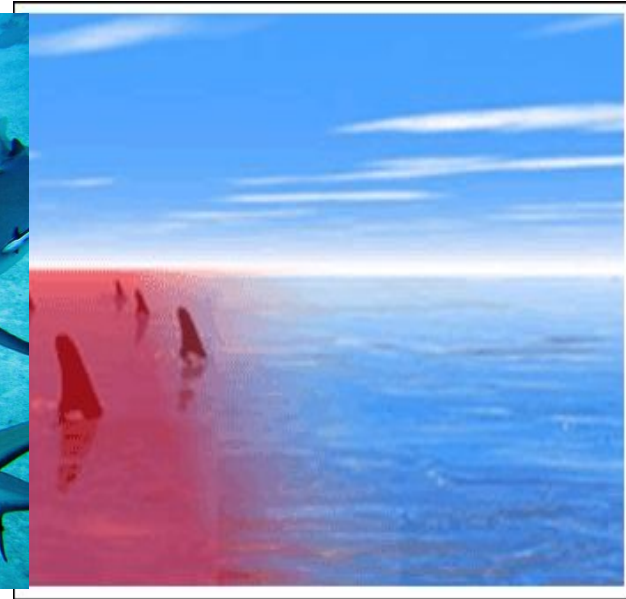
**DID  
NOT  
EXIST**



# What is Blue Ocean Strategy?

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Best understood in contrast to the 'red ocean'



# The Red Ocean

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‘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

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'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

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- 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