

Introduction to Business Strategy

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Key concepts, frameworks, and practical steps for developing and executing strategy.

1. What Is Business Strategy?

Aspect	Description
Definition	A long-term plan that outlines how a firm will achieve its goals, create value, and gain a sustainable competitive advantage.
Purpose	Align resources, guide decision-making, and coordinate actions across the organization.
Scope	Covers market positioning, product/service offerings, growth pathways, cost structures, and organizational capabilities.

2. Core Components of a Strategy

Component	Questions to Answer
Vision & Mission	What do we aspire to become? Why do we exist?
Values	What principles guide our behavior?
Objectives	What measurable outcomes do we aim for (e.g., revenue, market share, profitability) and by when?
Strategic Choices	Which markets, customers, and products will we focus on? How will we compete (cost, differentiation, focus)?
Resource Allocation	Where will we invest (people, technology, capital)?
Performance Metrics	How will we track progress (KPIs, balanced scorecard)?

3. Strategic Analysis Tools

Tool	When to Use	Main Output
SWOT Analysis	Initial strategic planning, periodic reviews	Internal/External strengths and weaknesses
Porter's Five Forces	Understanding competitive environment	Industry attractiveness and competitive advantage
BCG Matrix	Portfolio management, resource allocation	Strategic focus on cash cows, question marks, stars, and dogs
GE/McKinsey Screen	Strategic planning, resource allocation	Strategic focus on business units
Porter's Generic Strategies	Strategic planning, competitive positioning	Competitive advantage and market positioning
Value Chain Analysis	Understanding competitive advantage	Internal sources of competitive advantage
Porter's Generic Strategies	Strategic planning, competitive positioning	Competitive advantage and market positioning

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SWOT (Strengths, Weaknesses, Opportunities, Threats)	Early stage, quick internal/external scan	Prioritized list of internal capabilities vs. external conditions
PESTEL (Political, Economic, Social, Technological, Environmental, Legal)	Macro?environmental analysis	Identification of trends that could impact the industry
Porter's Five Forces	Industry?level assessment	Understanding of competitive intensity & profitability potential
Value Chain Analysis	Operations focus	Mapping of primary & support activities that create value
VRIO (Value, Rarity, Imitability, Organization)	Resource?based view	Determination of sustainable competitive advantages
BCG Matrix	Portfolio management	Classification of business units/products (Stars, Cash Cows, Question Marks, Dogs)
Blue Ocean Canvas	Innovation & market creation	Visual map of current industry factors vs. new value proposition

4. Formulating Strategy – The Process

1. Environmental Scanning

- Conduct PESTEL & Five Forces.
- Update SWOT with fresh data.

2. Define Vision, Mission & Values

- Keep statements concise, inspirational, and actionable.

3. Set Strategic Objectives

- Use SMART criteria (Specific, Measurable, Achievable, Relevant, Time?bound).
- Align with overall corporate goals.

4. Generate Strategic Options

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- Apply generic strategies (cost leadership, differentiation, focus).
- Consider growth paths: **Ansoff Matrix** (Market Penetration, Market Development, Product Development, Diversification).

5. Evaluate & Select

- Score options against criteria (fit with resources, risk, ROI, time to market).
- Use decision matrices or scenario planning.

6. Develop Action Plans

- Break down into initiatives, assign owners, set timelines, allocate budgets.

7. Communicate & Align

- Cascade the strategy through the organization.
- Link individual performance goals to strategic objectives.

8. Implement & Monitor

- Track KPIs, conduct regular review meetings, adjust as needed (feedback loop).
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