



Introduction to strategy

Karel Pernica | 17.02.2021

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What is business strategy?

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What is Strategy?

A strategy is a plan to achieve a goal

It's Plan of action

goals

Plan on long term to achieve objectives

The goal it's to be the best in our sector and to have a better analysis of the market. So there are a lot of strategy, spécialisation for example or externalizations

Strategy is define by the way/means we use to achieve something

A plan with actions to achieve our goals

A strategy is a process leaded by a companie or a Group to succeed in a purpose/goal

A strategy is the way of developing, directing and coordinating action

I am just testing.

Leclerc

Press ENTER to pause scroll

What is business strategy?

- “Strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers, and communities.”

- *Kenneth Andrews, The Concept of Corporate Strategy (Homewood, IL: Richard D. Irwin, 1971).*

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From winners to losers

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What is Strategy?

Plan on long term to achieve objectives

It's how to achieve a goal

Strategy is define by the way/means we use to achieve something

A plan with actions to achieve our goals

A way to get what you want to get

A strategy is a process leaded by a companie or a Group to succeed in a purpose/goal

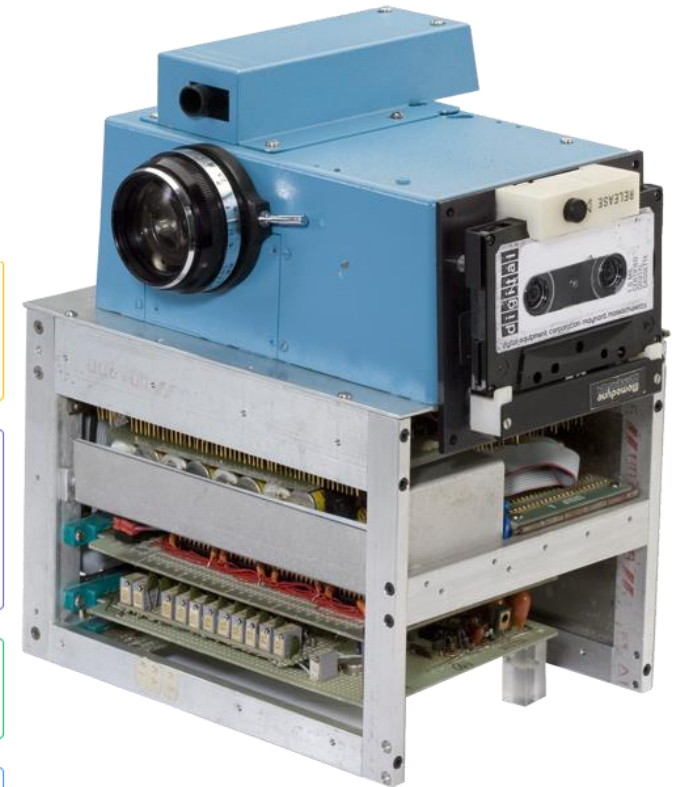
A strategy is the way of developing, directing and coordinating action plans in order to achieve a specific goal.

It's Plan of action

The goal it's to be the best in our sector and to have a better analysis of the market. So there are a lot of strateav. spécialisation for example or

Leclerc

it is the set of choices of a company in

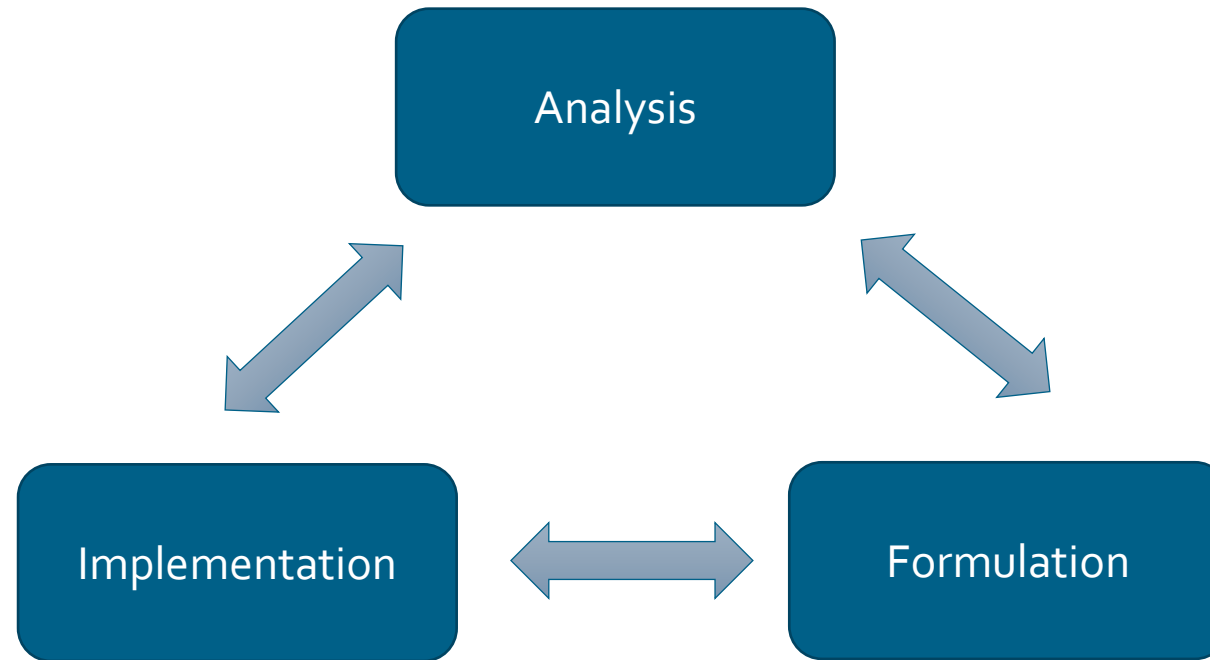


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From winners to losers



Strategy execution



Strategy execution

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1. Analysis 2. Formulation 3. Implementation

1st | BlackBerry

2nd | Kodak

3rd | GM Saturn



Strategic analysis – What is it?

- The assessment of an organization's current competitive position and the identification of future valuable competitive positions and how to achieve them.
- **From a generalist's perspective** (integrative, foundational)
- **Using strategic reasoning** (rivalry, dynamics, complexity)
- **Grounded in analytics and data**
- **Applying appropriate tools and frameworks**

Strategy and its first step – Strategic analysis

„Good hockey player skates to where the puck is. A great hockey player skates to where the puck is going to be.“

Wayne Gretzky

Who does strategic analysis?

Someone who formulates and implements strategy

- CEO or president
- Entrepreneur / owner of the company
- Vice-president for strategic planning
- General manager of a business unit

Someone who evaluates the strategy

- Investors
- Financial analysts

Someone who recommends future strategic actions

- Consultants
- Secondary stakeholders

Process of strategic analysis

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- 1st | Analyse the external factors and trends
- 2nd | Identify sources of competitive advantage
- 3rd | Analyse the competitive position
- 4th | Identify Mission, Vision, Values, Goals
- 5th | Analyse the external factors and trend
- 6th | Analyse the competitive environment



Process of strategic analysis



... all to create value

Time to recall some tools/framework/analyses

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Which analysis you would use once you are requested to analyze e.g. University of Economics



Strategic analysis tools set

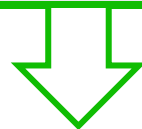
Questions	Tools
What are the major current and future trends impacting the industry and company	Environmental analysis, Trend analysis, PESTLE, Strategic demand analysis
Is this an attractive market and can we use our bargaining power? Are there any barriers to competition?	Industry analysis – Porter's five forces analysis
How is the competitive structure of the market likely to evolve?	Competitive Life Cycle Analysis
What market(s) is the firm in and who are the players in these markets?	Competitor Analysis Game theory



**“Opportunities” and “Threats” from
SWOT**


Strategic analysis tools set

Questions	Tools
What is the firm's mission and values? What do others expect of the firm?	Stakeholder Analysis
What are the firm's unique resources and capabilities? How sustainable is any advantage from these assets?	Capabilities Analysis Value chain Analysis VRIO/VRIN
Can the firm leverage these assets across markets so as to improve their position in a market?	Portfolio Planning Matrices
How should the firm position itself in the market relative to its rivals?	Strategic maps



“Strengths” and “Weaknesses” from SWOT

Analysis of strategic actions

Questions	Tools
How can we best improve our position, i.e. create more value, in our competitive environment?	Hypothesis Testing Payoff Matrices Real Options Analysis Acquisition Analysis Scenario Planning
Scaling?	
New market entry?	
Innovation?	
Acquisition?	
	
Strategic actions	

Analysis of strategic actions

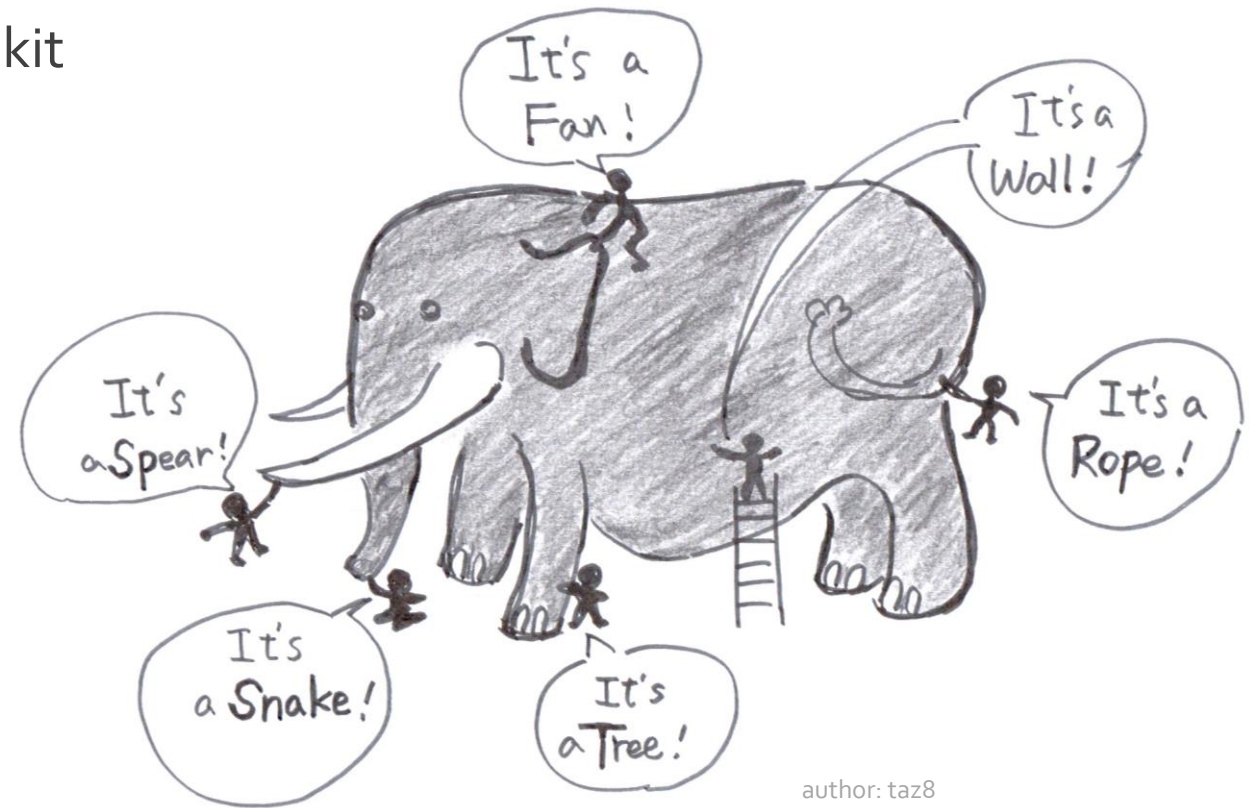
Questions	Tools
What strategic actions do we recommend going forward?	Strategic Analysis!
What are the underlying assumptions of this recommendation? Does it meet our tests?	Hypothesis Testing
How are competitors likely to react to these actions?	Payoff Matrices
Does it make sense in future worlds we envision?	Scenario Planning
Does it provide strategic flexibility	Real Options Analysis
Does the value created by these actions exceed the opportunity cost?	Acquisition Analysis



**Decision making under
uncertainty**

A robust strategic analysis

- Is fundamentally integrative
- Leverages the diversity of tools in one's toolkit
- Embraces uncertainty and complexity
- Is fact based and informed by research and analytics
- Advances and tests hypotheses



author: taz8

retrieved from:<https://voynetch.com/604>

Strategist toolkit: hypothesis testing

- Useful framework for analysing strategic options
- Popular among management consultants
- Steps:
 - Frame option as a hypothesis
 - Identify core assumptions
 - Conduct thought experiments
 - Collect data and test assumptions

Four core assumptions:

- Value Test
- Execution Test
- Scale Test
- Defensibility Test

Three thought experiments

- What do you know?
- What do you not know, but could?
- What do you not know, and can't?

Strategy research

Critical to a robust strategic analysis

- Support your strategy toolkit
- Establish facts and generate insights
- Provide evidence to support action

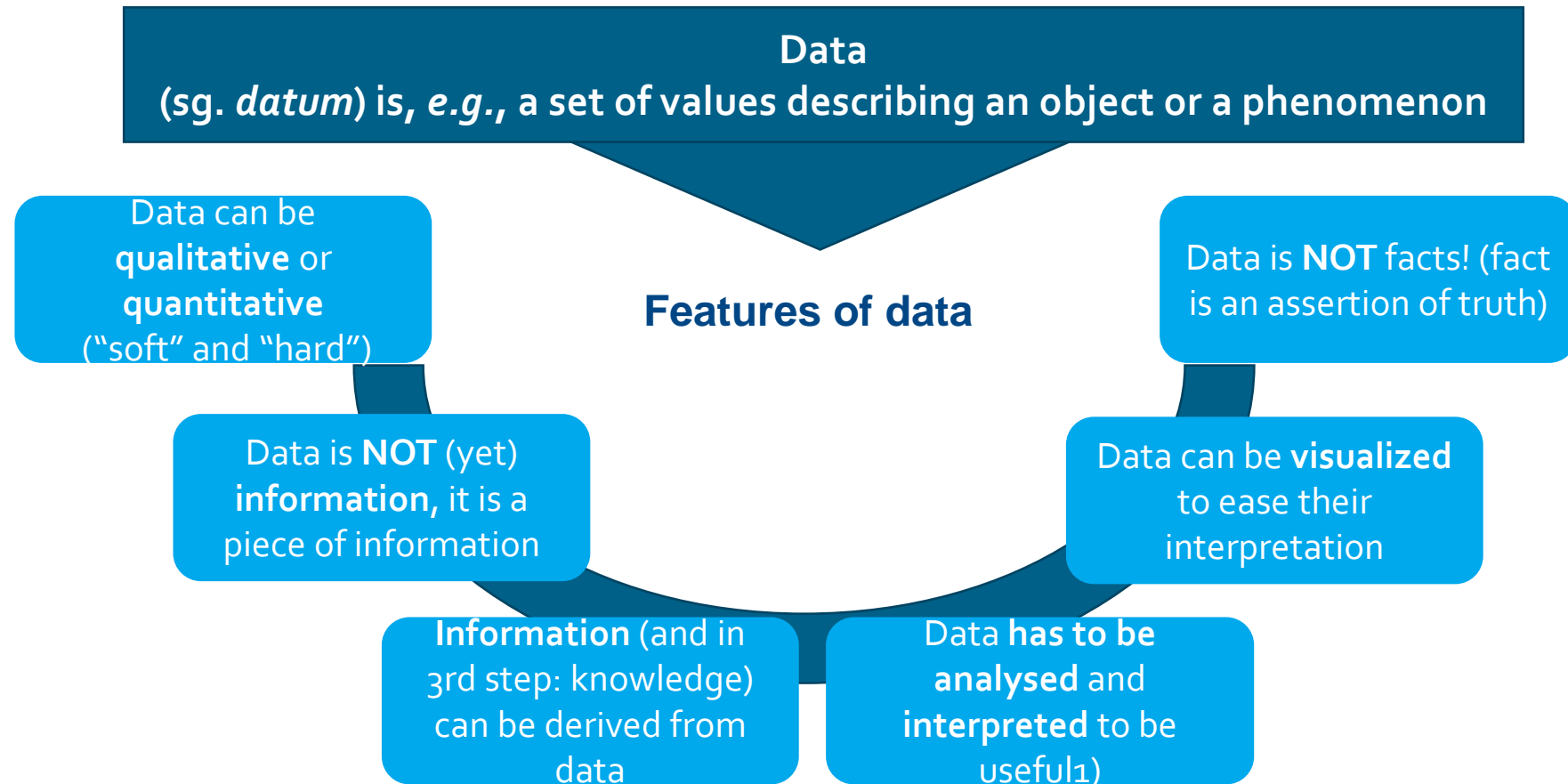
A little research can go a long way!

- Understand market trends
- Benchmark competition
- Assess internal organization

Understanding data

What is data?

Data is a set of descriptive values. There is an important difference between data, information, knowledge and other entities often mistakenly regarded as data.



What do you think it is?

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"Scores achieved by students in the last test are 62, 83, 14, 26, and 92. The average is 55,4 % and there is one clear outlier" - Which of these 4?



Understanding data

Information, Knowledge, Interpretation, and Data... are not the same!

Data

“merely raw facts”, “chunks of facts about the state of the world”, “unstructured facts and figures that have the least impact on the typical manager”

- “62, 83, 14, 26, 92”
- Strawberry, Apple, Vanilla, Chocolate, Lemon, Orange

Information

“useful data”, “data that are endowed with meaning and purpose”, “contextualized, categorized, calculated and condensed”

- “Scores achieved by students in the last test are 62, 83, 14, 26, and 92. The average is 55,4 % and there is one clear outlier”
- List of ice-cream flavors sold in a shop

Knowledge

“closely linked to doing and implies know-how and understanding”, “possessed by each individual (...), a product of his experience”, “what you know or understand”. Always “tacit”, difficult to transfer to someone else

- “The outlier’s score could imply that he is a genius or that he cheated”
- “This season seems to be about fruit flavors. Let’s stock them up!”

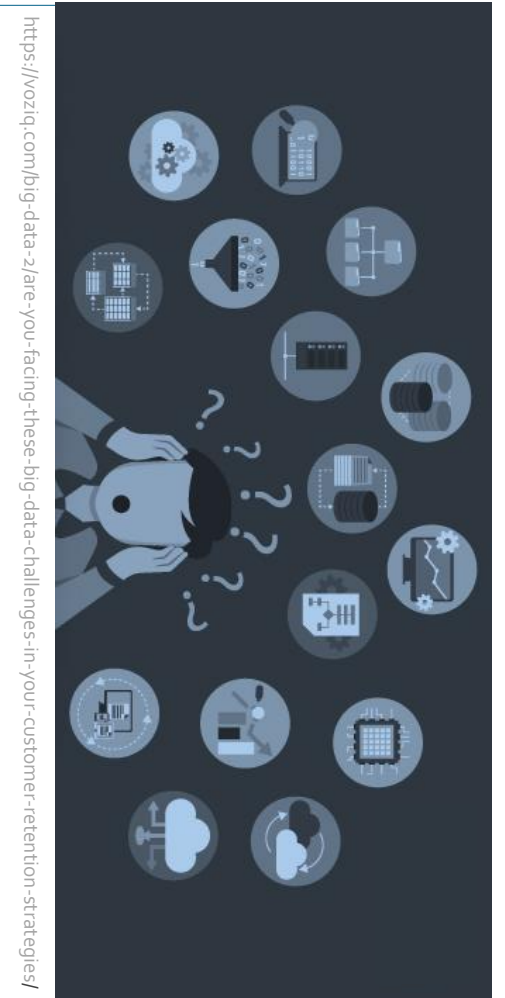
Interpretation

Explanation, “making sense” of data, based on knowledge and experience

Source: knowledge-management-tools.net,
www.infogineering.net

Data challenges

- Too little information!
- Too much information!
- Conflicting information!
- Desired information is proprietary
 - Trade secrets
 - Public vs. private organizations
- Too expensive to acquire!
 - Requires extensive effort to collect
 - Third parties charge for services



Data sources

- Internal database and network
- Annual reports
- Publicly required fillings
 - Taxes and investors
 - Patents and copyrights
- Analysts' and consulting reports
- News articles, reports and press releases
- Interviews and surveys
- The general internet
- “Big” data

With all the various data available, it is very easy to get lost. Therefore, the data collection is usually not a first step.



Data sources - databases

Paid

- Hoovers, Bloomberg
- Dow Jones Factiva
- Lexis-Nexis Academic Universe
- MergentOnline & Horizon
- Compustat
- SDC Platinum
- InvestexPlus

„Free of charge“

- Passport
- Statista
- <https://knihovna.vse.cz/english/resources/>
- EUROSTAT
- OECD Data
- World Bank Data

A robust strategic analysis

Devise a research plan

- How much time do you have?
- What is your research budget?
- What is the critical path to success?

Balance needed and desired data

- What data is absolutely critical?
- What data is nice to have?
- What is the marginal value of a particular piece of data?



Strategy analytics

- Calculations & analyses to manipulate data to gain insights
- Critical part of a robust strategic analysis, complements research
- Often requires creativity & exploration, making the data “speak”
- Facilitated by spreadsheets, statistical software, data visualization



Analysis measures

Industry Structure Measures

- Compound Annual Growth Rate (CAGR)
- Elasticity of demand
- Cross price elasticity
- Concentration ratio (CR₄)
- Herfindahl-Hirschman Index
- Economies of Scale

Performance Measures

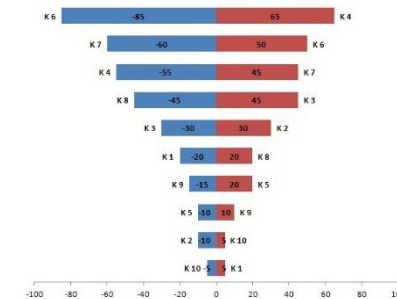
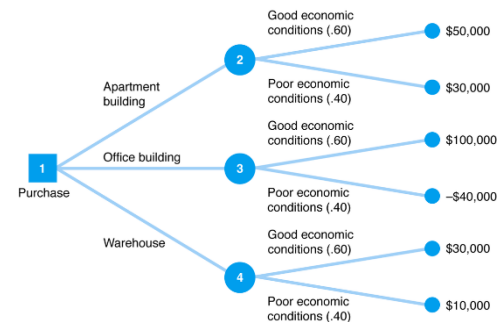
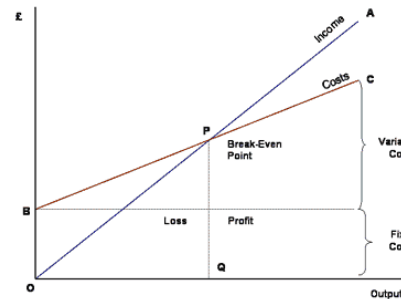
- Earnings (EBIT)
- Return on Assets (ROA)
- Return on Equity (ROE)
- Return on Sales (ROS)
- Price Earnings Ratio
- Discounted Cash Flow (DCF)
- Market-to-Book Ratio

Organizational Performance Measures

- Revenues
- Cost of Goods Sold
- Growth (top line and bottom line)
- Market Share
- Leverage
- Turnover
- R&D Intensity
- Advertising Intensity

Inference tools

- Strategist's Toolkit!
- Break-Even Analysis
- Decision Trees
- Sensitivity Analysis
 - Tornado Charts
 - Monte Carlo Analysis
- Regression Analysis
- Data Visualization



Lesson summary

- Strategic analysis is only one piece of an effectively executed strategy
- Strategic analysis is fundamentally integrative, leveraging the diversity of tools in one's toolkit
- Strategic analysis embraces uncertainty and complexity, yet is fact based and informed by research and analytics
- Strategic analysis advances and tests hypotheses of how to create greater value



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