



Core Concepts

Defining Strategy

Strategy: A set of actions that managers take to increase their company's performance relative to rivals. It's about making choices and trade-offs.
Competitive Advantage: When a firm consistently outperforms its rivals. Sustainable competitive advantage is when a firm maintains this outperformance over a prolonged period.
Value Creation: The process of increasing the difference between the value a company provides to customers and the cost the company incurs to produce that value.

Levels of Strategy

Corporate Strategy:	Defines the scope of the firm across industries and markets. Addresses questions of diversification, acquisitions, and resource allocation across business units.
Business Strategy:	Focuses on how to compete within a specific industry or market. Addresses questions of competitive positioning and value creation within a business unit.
Functional Strategy:	Defines how specific functions (e.g., marketing, operations, finance) will support the business strategy. Focuses on improving efficiency and effectiveness within functional areas.

Strategic Management Process

1. Vision, Mission, and Values: Defining the organization's purpose and guiding principles.
2. External Analysis: Assessing the competitive environment and identifying opportunities and threats.
3. Internal Analysis: Evaluating the organization's resources and capabilities to identify strengths and weaknesses.
4. Strategy Formulation: Developing strategic options and selecting the most appropriate strategy.
5. Strategy Implementation: Putting the strategy into action through organizational design, resource allocation, and leadership.
6. Strategy Evaluation and Control: Monitoring performance, evaluating results, and making adjustments as needed.

External Analysis

Porter's Five Forces

A framework for analyzing the competitive intensity and attractiveness of an industry.
1. Threat of New Entrants: Barriers to entry, economies of scale, brand loyalty.
2. Bargaining Power of Suppliers: Supplier concentration, availability of substitutes, switching costs.
3. Bargaining Power of Buyers: Buyer concentration, price sensitivity, product differentiation.
4. Threat of Substitute Products or Services: Availability of close substitutes, price-performance trade-off.
5. Rivalry Among Existing Competitors: Industry growth rate, product differentiation, switching costs, exit barriers.

PESTEL Analysis

A framework for analyzing the macro-environmental factors that can affect an organization.
Political: Government regulations, political stability.
Economic: Economic growth, interest rates, inflation.
Social: Cultural trends, demographics, lifestyle changes.
Technological: Technological advancements, automation, research and development.
Environmental: Environmental regulations, climate change, resource availability.
Legal: Laws and regulations, intellectual property rights.

Industry Life Cycle

Stages of an industry's evolution, from introduction to growth, maturity, and decline.
Introduction: Low competition, high growth potential.
Growth: Increasing competition, rapid growth.
Maturity: Intense competition, slowing growth.
Decline: Decreasing competition, declining sales.

Internal Analysis

Resource-Based View (RBV)

A framework for identifying and evaluating a firm's strategic resources to determine if they can provide a competitive advantage.
Valuable: Resources that enable a firm to exploit opportunities or neutralize threats.
Rare: Resources that are not widely available to competitors.
Inimitable: Resources that are difficult or costly for competitors to duplicate.
Organized: The firm is organized to capture value from its resources.

Value Chain Analysis

A framework for analyzing the activities within a firm to identify sources of competitive advantage.
Primary Activities: Activities directly involved in creating and delivering a product or service (e.g., inbound logistics, operations, outbound logistics, marketing and sales, service).
Support Activities: Activities that support the primary activities (e.g., firm infrastructure, human resource management, technology development, procurement).

SWOT Analysis

A framework for summarizing the key issues facing an organization, combining internal and external analysis.
Strengths: Internal capabilities that can help the organization achieve its objectives.
Weaknesses: Internal limitations that can interfere with the organization's ability to achieve its objectives.
Opportunities: External factors that the organization can exploit to its advantage.
Threats: External factors that can challenge the organization's performance.

Strategic Choices

Generic Strategies (Porter)

Strategies for achieving competitive advantage within a specific industry.
Cost Leadership: Achieving lower costs than rivals, enabling the firm to offer products or services at a lower price.
Differentiation: Offering products or services with unique features or benefits that customers value, allowing the firm to charge a premium price.
Focus: Concentrating on a specific market segment or niche, and either pursuing cost leadership or differentiation within that segment.

Growth Strategies

Strategies for expanding the firm's operations and market presence.
Market Penetration: Increasing sales of existing products in existing markets.
Market Development: Entering new markets with existing products.
Product Development: Developing new products for existing markets.
Diversification: Entering new markets with new products.

Corporate-Level Strategies

Strategies that define the scope of the firm across industries and markets.
Vertical Integration: Expanding into activities along the industry value chain (e.g., backward or forward integration).
Related Diversification: Entering new industries that are related to the firm's existing businesses.
Unrelated Diversification: Entering new industries that are unrelated to the firm's existing businesses.
Mergers and Acquisitions: Combining with or acquiring other firms to achieve strategic objectives.