



# Business Strategy

**KING'S**  
*College*  
**LONDON**

Week 1 – Defining Strategy

# What is Strategy . . . ?

Why vision statements are so important...



"C'mon, put some muscle into it...we're not getting anywhere!"



# Sustained Value Creation as Managerial Objective

## VISION

*“We strive for growth and the creation of **sustained value** to our clients, employees, and shareholders.” (Siemens)*

*“Create value that can be **sustained over the long term** for shareholders, employees, consumers, and business partners. We do not favor short-term profit at the expense of successful long-term business development.” (Nestlé)*

*“Our primary objectives are **sustainable profit growth** and a position among the best of our industry sector. We do everything we can to ensure the **long-term success** of our organization.” (Novartis)*



# Sustained Value Creation as Managerial *Challenge*

- ❖ Only 18 of the **100 largest companies** in the world in 1917 (the *Forbes 100*) were still present on the 1987 listing. 16 of these 18 companies under-performed the market over this period. Just **two** companies, General Electric and Kodak, outperformed the market between 1917 and 1987.\*
- ❖ Only 74 of the **500 largest companies** in the US in 1957 (the *S&P 500*) were still present on the 1997 listing. Just **12** companies (or 2.4%) outperformed the market between 1957 and 1997.\*
- ❖ The **average life span** of a Fortune 500 company is **40** years, the average for all companies is just **12** years.\*\*

# Strategy as a Managerial Task

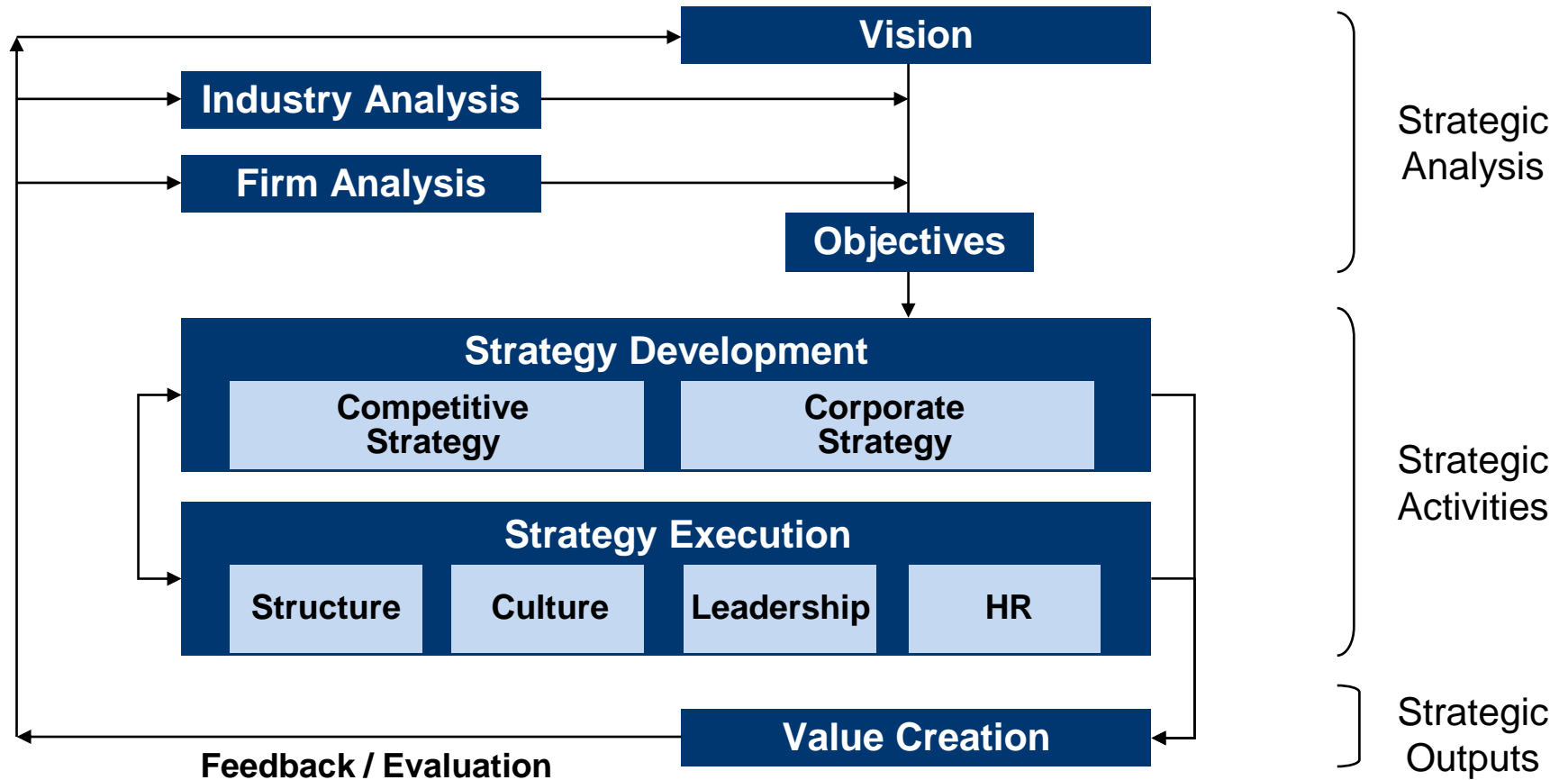
## Defining Strategy



*“Strategy consists of the determination of the basic **long-term goals and objectives** of an enterprise, the adoption of **courses of action** and the **allocation of resources** necessary for carrying out these goals.”*

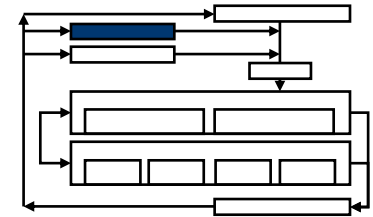
Alfred D. Chandler, Harvard Business School

# The Strategy Process

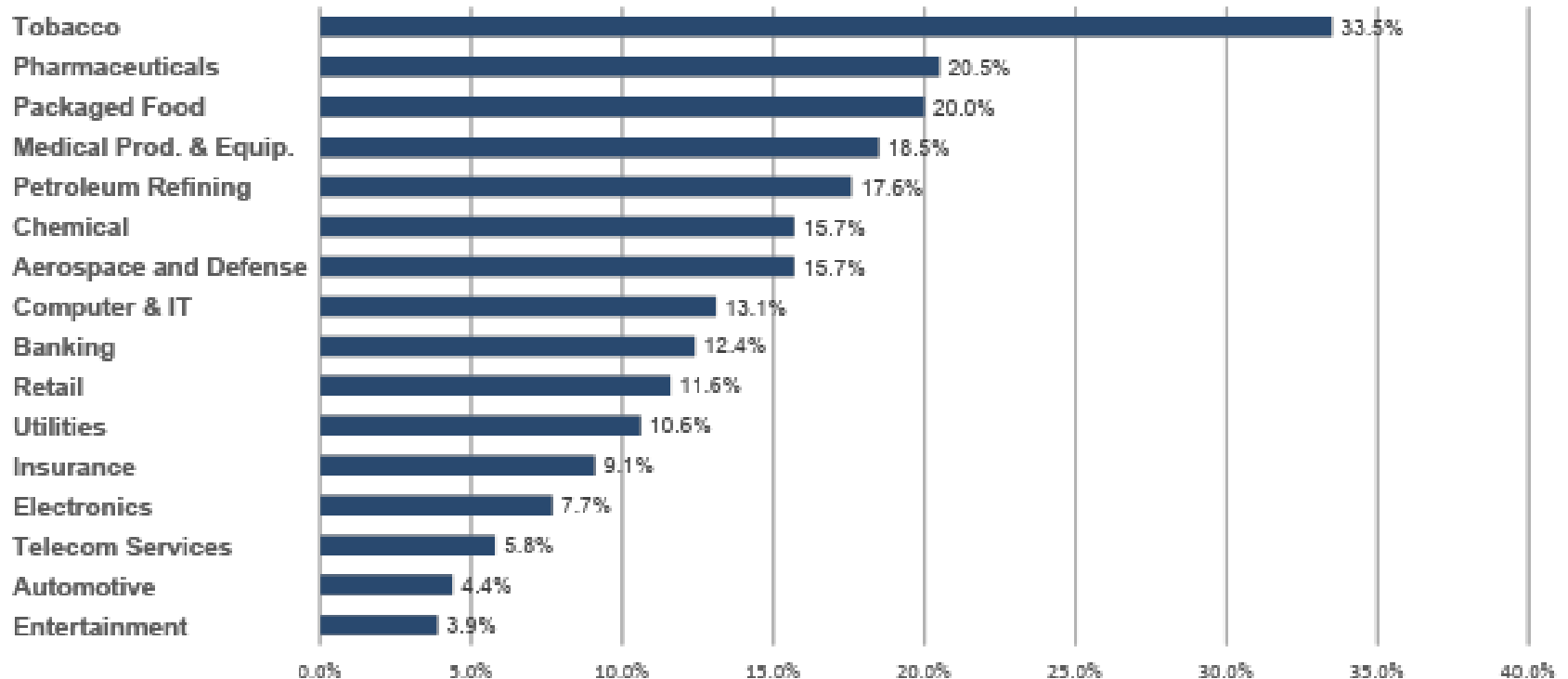


# Analyzing Industries

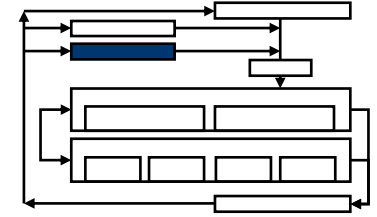
Some industries are more profitable than others!



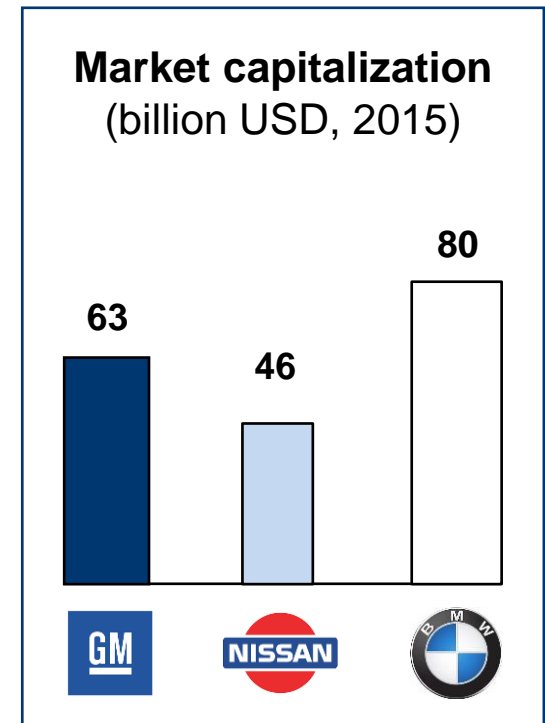
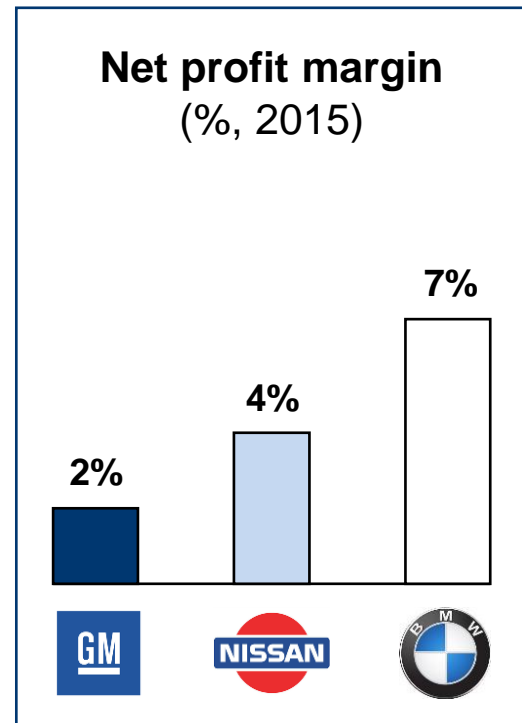
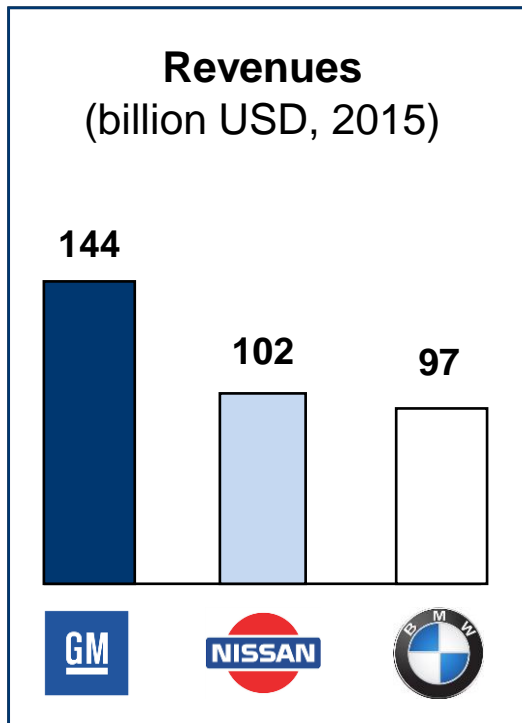
Average Return on Equity, 2000-2010



# Analyzing Firms

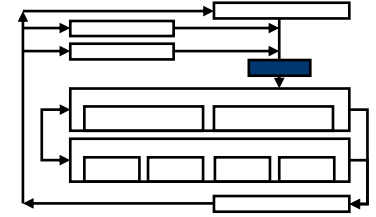


The performance of companies may vary – even within the same industry segment ...

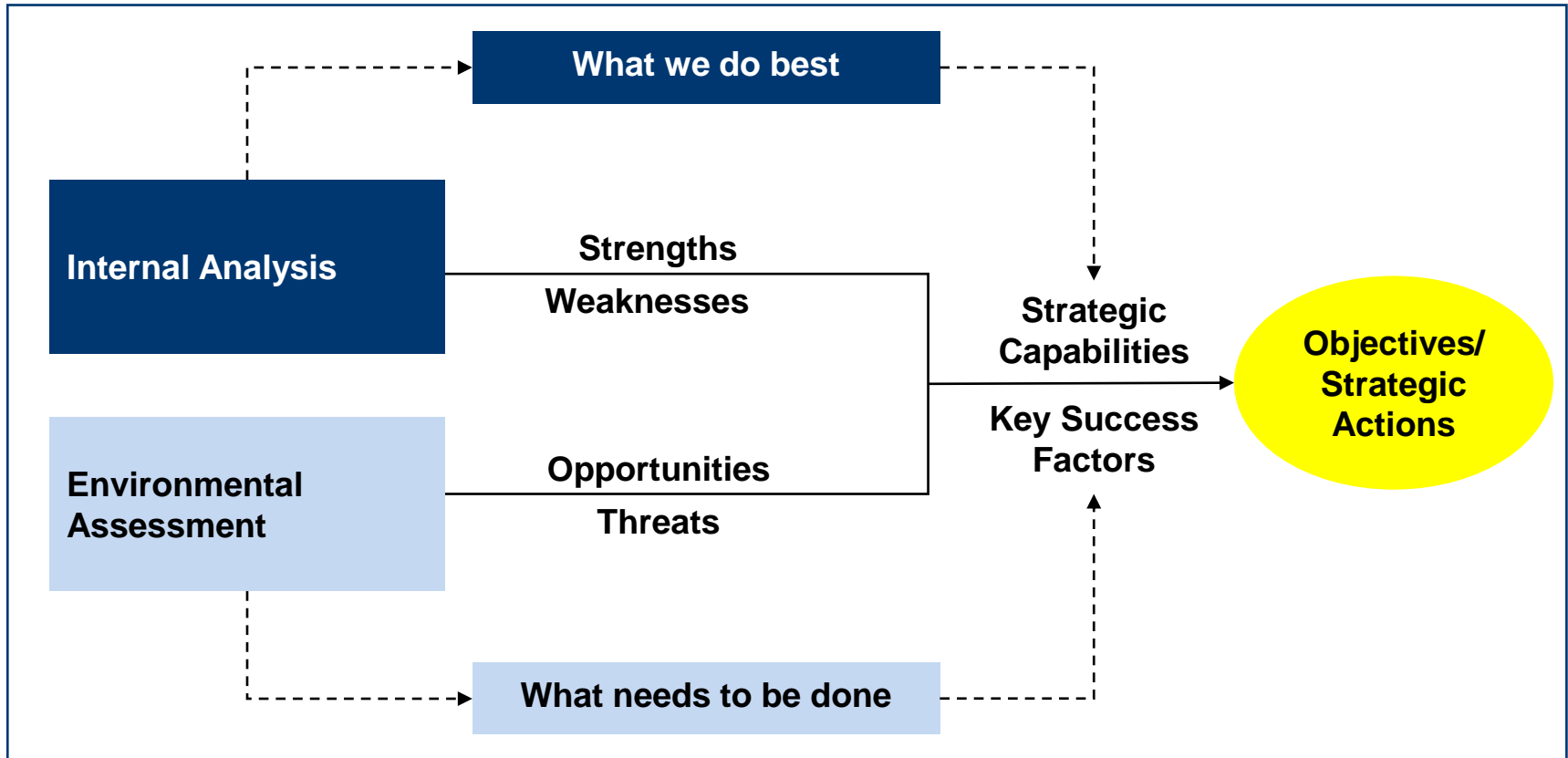




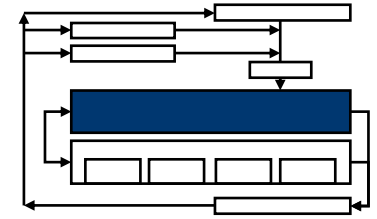
# Strategic Analysis - Objectives



**SWOT:** Strategic Capabilities and Key Success Factors



# Strategy Development



Firms develop strategies at multiple levels

**Corporate  
Strategy**

**Corporate  
Headquarters**

**Competitive  
Strategy**

**Division A**

**Division B**

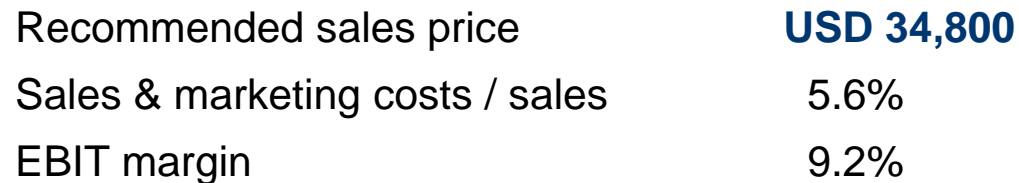
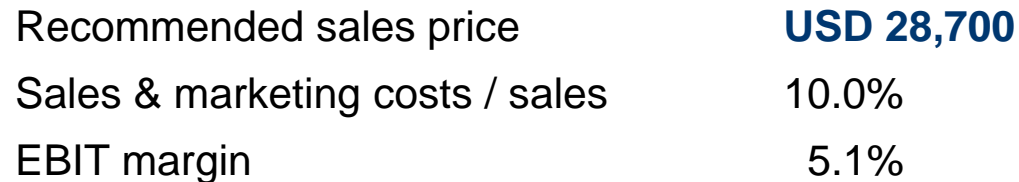
**Division C**

**Functional  
Strategy**

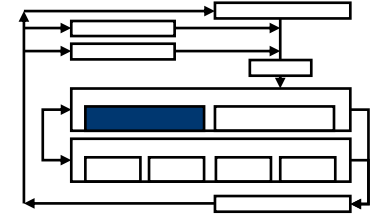
**Functions**

**Functions**

**Functions**

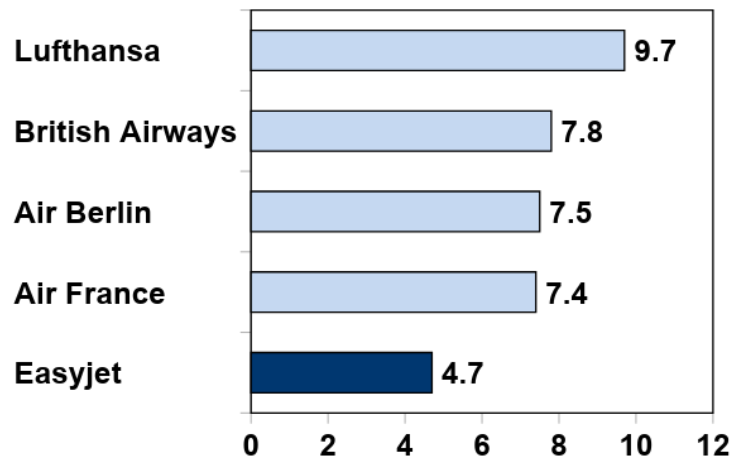


# Competitive Strategy

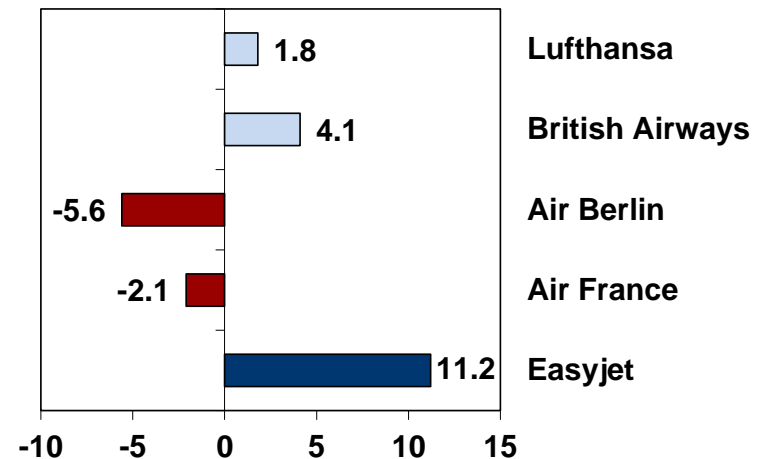


Some companies have lower costs than their rivals . . .

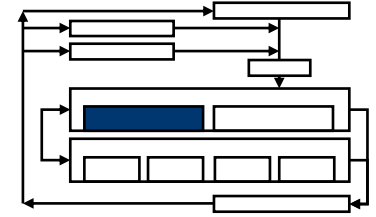
**Unit cost (costs per ASK)\***



**EBIT (in %)**



# Competitive Strategy



## Cost Leadership



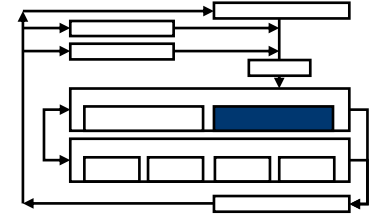
## Differentiation



The Ritz-Carlton®



# Corporate Strategy



## Managing the Portfolio

In what businesses should we compete?

## Acting Responsibly

Is corporate social responsibility a driver of success?

## Corporate Strategy

## Managing Growth

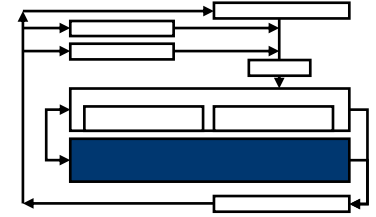
What are the limits of growth?

## Managing Crises

How to respond to an (economic) crisis?

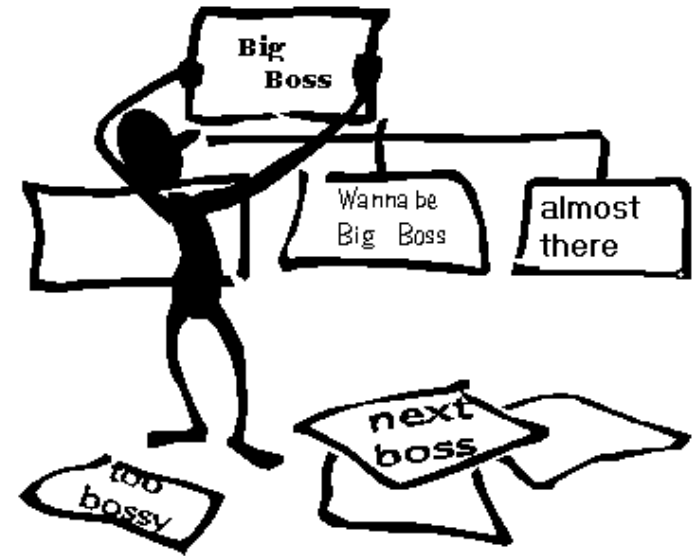


# Strategy Execution



## Key Issues

- ❖ How can the organization be aligned to better execute strategy?
- ❖ How can goal achievement be monitored and controlled?
- ❖ What are the most important activities of strategic leaders?





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