

Strategic group	the set of companies that pursue a similar business model and strategy within a specific industry
Strategic Planning	Long-term, broad planning driven by the organization's mission, vision, and values, focused on achieving overall goals and competitive advantage.
Tactical Planning	Short-term, narrow planning focused on specific activities and resource allocation to implement functional plans.
Functional Planning	Strategic planning at the level of specific departments or functions within a business unit (e.g., marketing, finance, operations).
Competitive Parity	A situation where a firm's performance is equal to the average of its competitors.
Differentiation	A competitive strategy that aims to create unique value for customers, allowing the firm to charge a premium price.
Focus Strategy	A competitive strategy that concentrates on a narrow market segment and pursues either a cost leadership or differentiation strategy within that niche.
S.M.A.R.T. Goals	Goals that are Specific, Measurable, Achievable, Relevant, and Time-bound.
SWOT Analysis	A framework that combines the analysis of a firm's internal Strengths and Weaknesses with external Opportunities and Threats to inform strategy formulation.
Residual uncertainty	The uncertainty that remains after all feasible analysis has been conducted; the truly unknowable.
Open innovation	An approach to innovation where a firm collaborates with external partners and shares intellectual property to accelerate development and adoption.

PESTEL Analysis

Framework analyzing Political, Economic, Socio-Cultural, Technological, Ecological, and Legal factors.

How do strategic and tactical plans differ?

Strategic plans are long-term, broad, and developed at senior levels, focusing on overall direction.

Tactical plans are short-term, narrow, and developed at lower levels, concentrating on specific actions to implement strategic goals.

T or F: Functional plans are strategic plans that are developed within specific departments.

True

3 components of a business model

- (1) value delivery (how customers are reached and served)
- (2) value creation (how the product/service is made),
- (3) value capture (how the firm makes money).

What is the primary aim in cost leadership?

the lowest costs in a broad market (e.g., Walmart).

Differentiation vs Focus approach

When a company seeks to offer unique value at a premium price in a broad market (e.g., Apple). Focus targets a narrow niche with either cost leadership or differentiation (e.g., Rolex).

What type of planning works well in a stable environment?

top-down

What type of planning works well in a unstable environment?

flexible methods like scenario planning, which develops strategies for multiple plausible futures

What are some examples of political variables in PESTEL?

- subsidies
- favorable tax policies
- pricing controls
- regulated access
- grants
- trade controls/imports restrictions
- tariffs

Which area of PESTEL can be influenced by an individual firm? How?	Political variables. Lobbying efforts, litigating against policies, supporting legislators
Primary impact of political variables	opens or restricts access to markets by creating or eliminated barriers to entry
Primary impact of socio-cultural variables	impacts what consumers want to buy, market sizes, and increases management complexity of a diverse workforce.
Cost structure	The types and proportions of expenses a company incurs in its operations.
Economies of Scale	Cost advantages that a firm gains by increasing its scale of production.
Economies of Scope	Cost advantages that a firm gains by offering a wider range of products or services.
Disruptive Innovation	An innovation that creates a new market and value network and eventually disrupts an existing market and value network, displacing established market-leading firms and products.
The broadest level of planning	strategic planning
Drives decisions about resource allocation	strategic planning
T or F: Strategic planning primarily involves specific rather than directional goals.	False
Examples of functional planning	marketing plans, production plans, supply chain management plans, and financial plans
Which type of planning focuses on implementing the SBU's strategies?	functional
Who develops functional plans?	senior and middle-level managers
The most specific and narrow plans	Tactical/Operational Planning
What is the focus of tactical plans?	day-to-day execution of functional plans
Examples of tactical planning	

production schedules, delivery schedules, staffing schedules, project work plans, sales call schedules, and operating budgets	
How long are tactical planning horizons?	quarterly to hourly
Who develops tactical plans?	lower levels of management and at the team leader level
T or F: If lower-level goals are reached, then the higher-level goals are achieved	True
What are the two fundamental and distinct generic business strategies aimed at achieving competitive advantage?	Cost leadership and differentiation
Cost leadership targets a ___ market.	broad
What methods does cost leadership employ to drive costs down?	economies of scale, streamlined processes, low-cost inputs, and automation.
A firm's business strategy is built upon a foundation of ___, ___, and ___.	(1) vision (2) mission (3) core values
The ___ paints a picture of the desired future state that the strategy aims to achieve.	vision
What approach is appropriate in level 1 uncertainty?	a traditional top-down approach
What approach is appropriate in level 2 /level 3 uncertainty?	Scenario-Based Planning
Forward integration	occurs when a firm owns or controls the customers or distribution channels for its main products
Backward integration	occurs when a firm owns or controls the inputs it uses

Vertical Integration	Practice where a single entity controls the entire process of a product, from the raw materials to distribution
Horizontal Integration	Absorption into a single firm of several firms involved in the same level of production and sharing resources at that level
What does PESTEL stand for?	Political, Economic, Societal, Technological, Ecological, and Legal factors
What is the goal of a PESTEL Analysis?	To identify the external factors most directly impacting the firm, research and analyze how relevant forces are trending to predict future outcomes, and identify opportunities and threats based on predicted futures that can impact firm performance
A PESTEL Analysis can be used to determine key ___ variables for ___ planning	(1) macroeconomic (2) scenario-based
What can managers use to prioritize PESTEL factors?	(1) probability of occurrence (2) potential impact on the firm
Structure-Conduct-Performance (SCP) Model	a framework that assumes industry structure determines firm conduct, which in turn drives firm performance.
Fragmented industries tend to be ___ profitable than consolidated ones.	Less
4 different industry types identified in SCP model	Perfect competition, monopolistic competition, oligopoly, and monopoly.
How is performance typically measured?	financial metrics like economic profits, value creation, or total shareholder returns
fragmented is synonymous with..	perfect competition
consolidated is synonymous with...	oligopoly/monopoly
Porter's Five Forces Model	leverages the SCP model to analyze industry structure and determine its attractiveness and profitability

What are the 5 forces identified in Porter's Five Forces Model?

- (1) Bargaining Power of Suppliers
- (2) Bargaining Power of Customers
- (3) Threat of New Entrants
- (4) Threat of Substitute Products or Services
- (5) Rivalry Among Existing Competitors

Sometimes considered a "sixth force" to Porter's Five Forces Model

complements

Resources leveraged into a sustainable competitive advantage must be...

valuable, rare, costly to imitate, and organized to capture value

Resource-Based View (RBV) of Competitive Advantage

Stresses the firm's asset base (tangible and intangible) as the source for creating competitive advantage.... It is considered more feasible to exploit external opportunities using existing resources in a new way than acquiring new capabilities for each opportunity

Two critical assumptions of the RBV of competitive advantage

resources are heterogeneous (differ between firms) and immobile (sticky, at least in the short run)

VRIO Analysis

To provide sustainable competitive advantage, resources must be:
-Valuable
-Rare
-Inimitable
-Organized

Resources that aren't valuable lead to ___ or ___.

- (1) competitive parity
- (2) disadvantage

Value Chain Analysis

Allows management to view activities and processes end-to-end , identifying opportunities for improvement and understanding how integrated subsystems create competitive advantage

Value Chain Analysis depicts business activities in what two categories?	(1) Primary Activities (2) Support Activities
Primary Activities	Directly involved in creating value (e.g., inbound logistics, operations, outbound logistics, marketing and sales, service)
Support Activities	Enable the primary activities (e.g., firm infrastructure, human resource management, technology development, procurement)
Ratio Analysis	Uses financial data (balance sheet, income statement, cash flow statement) and operational metrics to assess a firm's financial performance, operational effectiveness, and resource utilization
Types of ratios used in ratio analysis	Activity/Asset Quality ratios Liquidity ratios Capital Adequacy ratios Earnings/Profitability ratios
What do the results of a SWOT analysis look like?	A two-by-two matrix categorizing factors as Internal/External and Positive/Negative resulting in four quadrants: Strengths (positive internal), Weaknesses (negative internal), Opportunities (positive external), and Threats (negative external)
Analysis that includes both internal and external factors	-SWOT -Benchmarking
Benchmarking	Includes internal (across organizational units), competitive (comparing to competitors), non-competitive/functional (comparing a specific function), process, product, financial, and performance benchmarking
Strategy as Planned Emergence is an approach to strategy development often associated with who?	Henry Mintzberg

A core idea is Mintzberg's view is that strategy...

cannot be planned

Emergent strategy

develops when an organization takes a series of actions that, regardless of specific intentions, form a consistent pattern of behavior over time (realized pattern)

Deliberate strategy

planned course of action that, if realized, matches the original intention

Strategy as Planned Emergence is considered better suited for what type of environment?

highly uncertain environments, particularly those characterized by Level 3 (a range of potential futures) and Level 4 (true ambiguity) uncertainty

What things are required for Strategy as Planned Emergence?

requires flexibility in budgeting systems, the availability of pools of discretionary funds, and organizational slack

Co-competition

A relationship between firms where they both cooperate and compete, often involving the development and use of complements.

Monopolistic Competition

An industry structure characterized by many firms that differentiate their products, allowing them to act as quasi-monopolists within market niches.

Effective goals should be...

specific, measurable, achievable, relevant, and time-bound (SMART).

Rivalry Among Existing Competitors is high when...

there are many competitors, high industry growth, high exit barriers, and products are undifferentiated.

Core Competencies

Unique strengths embedded within a firm that enable differentiation or lower costs. They "make disproportionate contribution to the ultimate customer value" and "drive competitive advantage."

T or F: Intangible resources often confer greater advantage due to difficulty of imitation.

True

T or F: A Functional strategy is one that determines how capital will be allocated across various businesses (or strategic business units).	False "Capital allocation across SBUs occurs at the Corporate level of strategy formulation."
T or F: Competitive advantage is always judged relative to other competitors or to the industry average.	
The end results of decisions and tradeoffs made by management in formulating strategy.	Business Model
what are the three parts of a Business Model?	Value creation, Value delivery, Value capture
Scenario Planning	strategic planning methodology that is used to develop plans in an uncertain environment. Typically managers begin by identifying variables that can interact to significantly impact firm performance, then management develops alternative strategies for the most plausible future environments.
Provides a statement of how the organization intends to achieve its vision and the organizations' responsibilities towards its key stakeholders.	Mission Statement
Traditional top-down strategic planning	a rational data driven process in which top management attempts to program future success
T or F: high market growth rates result in fierce competitive rivalry	False
What typically results in significant barriers to entry?	-Strong brands and customer loyalty -the existence of powerful patents and other intellectual property -asset specificity
What is the primary threat (or impact) that a substitute product has on an industry?	Limits placed on the competitors abilities to raise prices

Concentration ratio	A measure of the aggregate market shares of the top competitors in an industry
T or F: Cash is a tangible asset	True
T or F: The SCP Model analyzes the internal performance of a company	False
3 reasons resources can be costly to imitate	<ul style="list-style-type: none"> (1) Historical condition (2) Casual ambiguity (3) Social complexity
Capabilities	The organizational and management skills necessary to orchestrate a diverse set of resources to deploy them strategically.
Geographic Scope	the geographical areas where a company competes, ranging from local to regional to global.
Related Diversification	Products or services are related or complementary to the firm's core offerings.
Unrelated Diversification	Products or services are significantly different from the firm's core offerings (e.g., Berkshire Hathaway's diverse portfolio).
Strategic Business Unit (SBU) Level Strategy:	Focuses on "competitive advantage" within specific business units.
T or F: Functional plans typically shorter planning horizons than Corporate and SBU plans but typically extend beyond the upcoming fiscal year.	True
What is the focus of "Value Delivery"	The "customer facing" component, focusing on customer needs, segmentation, marketing channels, and customer relationship management.
Value Capture	How the firm generates revenue and profits.

Common revenue models (value capture)	retail, transaction, rental/lease, usage, advertising, affiliate marketing, brokerage, subscription, and licensing.
Economic environmental factors	Interest rates, inflation, economic growth, consumer spending power
Political environmental factors	Government policies, subsidies, tariffs, legislation
Socio-cultural environmental factors	Demographics, lifestyle trends, cultural values, attitudes
Blue Ocean Strategy	An approach where firms seek to create and compete in uncontested "blue ocean" market spaces, rather than competing in spaces and ways that have attracted many, similar rivals. innovating in a way that makes the competition irrelevant. This involves eliminating, reducing, raising, and creating value factors simultaneously.
Red Ocean Strategy	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.
In a "red ocean" competition is ___ and profit margins ___.	(1) intense (2) low
GE-McKinsey 9-Box Matrix	portfolio planning tool for evaluating the attractiveness of business units and guiding resource allocation decisions.
Corporate Level Strategy is concerned with competing across...	multiple industries and markets simultaneously
3 components of firm scope	(1) vertical integration (2) diversification (3) geographic scope
Reasons for forward integration	

- To lower overall costs by increasing channel activity efficiencies relative to competitors.
- To increase bargaining power through control of channel activities.
- To gain better access to end users.
- To strengthen and reinforce brand awareness.
- To increase product differentiation.

Risks associated with a Blue Ocean Strategy	-long adoption period -being overtaken by rivals
Combination Strategies	"hybrid" Integration of low-cost and differentiation strategies makes it difficult for competitors to duplicate or imitate strategy.
T or F: Combination strategies are seen as potentially viable if inherent trade-offs can be reconciled	True
T or F: Growth in one area can potentially mask weaknesses elsewhere, reducing overall business risk	True
T or F: Innovation is not typically apart of a concentration growth strategy	False
Organic growth	growth achieved through the expansion of current business activities
Risks of a Concentration Strategy	risk of significant losses if there is a drop in demand or an increase in competition in that specific area
Horizontal Integration is also considered a _____. Benefits of forward integration	Concentration strategy -higher economies of scale - a larger market share -more timely customer insight
Benefits of backwards integration	

	-cost advantages -ensure a consistent supply of inputs -gain control over key input resources
T or F: In horizontal integration, new capabilities are created organically	False
A typical characteristic of a maturing industry	industry consolidation
T or F: If a firm has no single line of business that represents 70% or more of the firms total revenues the firm is considered to be diversified.	True
What is the productivity frontier?	The best possible strategic positions that a firm can take relating to value and low cost. The frontier is drawn as a concave curve
When might a firm decide to use a stability strategy?	A firm might also use this strategy to pause and consolidate recent growth, improve efficiency, conserve free cash flow under expected future economic conditions, or when competing in a mature industry with few or no growth prospects
3 main types of "grand" strategies	Growth, stability, renewal
Turnaround strategy	a strategy that reverses a firm's decline in performance and returns it to growth and profitability
T or F: Being "stuck in the middle" means a firm has tried to implement both a differentiation and low cost producer strategy concurrently but has not succeed in either.	True
In forward vertical integration a company becomes its own distributor	
—.	
Influence costs	occur due to political maneuvering by managers to influence capital and resource allocation and the resulting inefficiencies

	ficiencies stemming from suboptimal allocation of scarce resources
What is the goal of a retrenchment strategy?	stabilize operations, revitalize organizational resources and capabilities, and prepare to compete again.
This strategy may involve formal bankruptcy proceedings, such as Chapter 11 (Reorganization) or Chapter 7 (Liquidation)	This may involve shedding less profitable products and reducing operational expenses but does NOT involve bankruptcy
Single business	Turnaround strategy
Unrelated Diversification receives ___ % of revenues from core	A firm with over 95% of its revenues coming from a single line of business. <70%
(Diversification) the "suicide sell" due to high risk	Product-Geographic Diversification Simultaneously