



ESCOLA
POLITÀCNICA SUPERIOR
UNIVERSITAT DE LLEIDA

CHAPTER 2:

STRATEGY MANAGEMENT OF THE BUSINESS IDEA

Master's Degree in Informatics Engineering

POLYTECHNIC SCHOOL

University of Lleida



Universitat de Lleida
Escola Politècnica Superior



Strategic Plan

What does Strategy mean?

- It's an old concept that was very used in the military/Army and it's defined like: "The general approach to try achieve the objectives".
- In the 70s appears in the business schools.

A Strategy Plan is to formulate objectives, evaluate and implement them to make some decisions and actions to achieve these goals.

Strategic Plan

A Strategy must have the following considerations:

- Real, able to achieve the objectives, measurable and evaluable.
- Adapt to the environment, internal and external where it will be developed.
- Be able to give us "value" and "competitive advantage".
- Be dynamic, flexible and adaptive to changes in the environment and the market.

The objectives must be formulated with exactitude and without ambiguities and quantified both in magnitude and in time.



Strategic Plan

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Strategic Plan

What's new:

- Description of the company: mission, vision and values
- Analysis of the environment: general and specific
 - PEST analysis
 - Five forces
- Strategic diagnosis: SWOT

SECTION 2.1:

Description the company

Mission:

- It is the purpose or reason to be of the existence of a company or organization.
- In the mission, the company defines the needs to satisfy, the customers to those that arrive, products and services to offer.
- It answers questions like: What do we do? What is our business idea? What is our reason to exist? Who are our target audience?

SECTION 2.1:

Description the company

Examples of different mission statement:

- Amazon: To serve consumers through online and physical stores and focus on selection, price, and convenience.
- Tesla: Accelerating the world's transition to sustainable energy.
- Apple: To bringing the best user experience to its customers through its innovative hardware, software, and services.
- Google: Google's mission is to organize the world's information and make it universally accessible and useful.

SECTION 2.1:

Description the company

Examples of different Mission:

- Microsoft: Our mission is to empower every person and every organization on the planet to achieve more.
- Facebook/Meta:
 - Facebook's mission is to give people the power to share and make the world more open and connected. (2017).
 - Facebook's mission is to give people the power to build community and bring the world closer together. (2018).
 - Meta's mission is to give people the power to build community and bring the world closer together. Meta builds technologies that help people connect, find communities, and grow businesses.

SECTION 2.1:

Description the company

Vision:

- Presentation of what the company wants to create, future image of the organization. (Even beyond finish the strategic plan).
- It must be forceful, brief, unambiguous, and the most "graphic" and understandable.
- It must be easily understandable for all the company staff, as well as for customers and the entire environment.
- And, obviously, a vision statement must be realistic as this is an objective to be achieved.

SECTION 2.1:

Description the company

Vision:

- It answers questions like: Which are our goals? What are we trying to achieve? Where do we want to be in the future? Who will we do it for?

Examples of different Vision:

- Apple: To make the best products on earth and to leave the world better than we found it.
- Microsoft: To help people and businesses throughout the world realize their full potential.
- Google: To provide access to the world's information in one click.

SECTION 2.1:

Description the company

Examples of different Vision:

- Tesla: To create the most compelling car company of the 21st century by driving the world's transition to electric vehicles.
- Amazon: To be Earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online.

SECTION 2.1:

Description the company

Corporate Values:

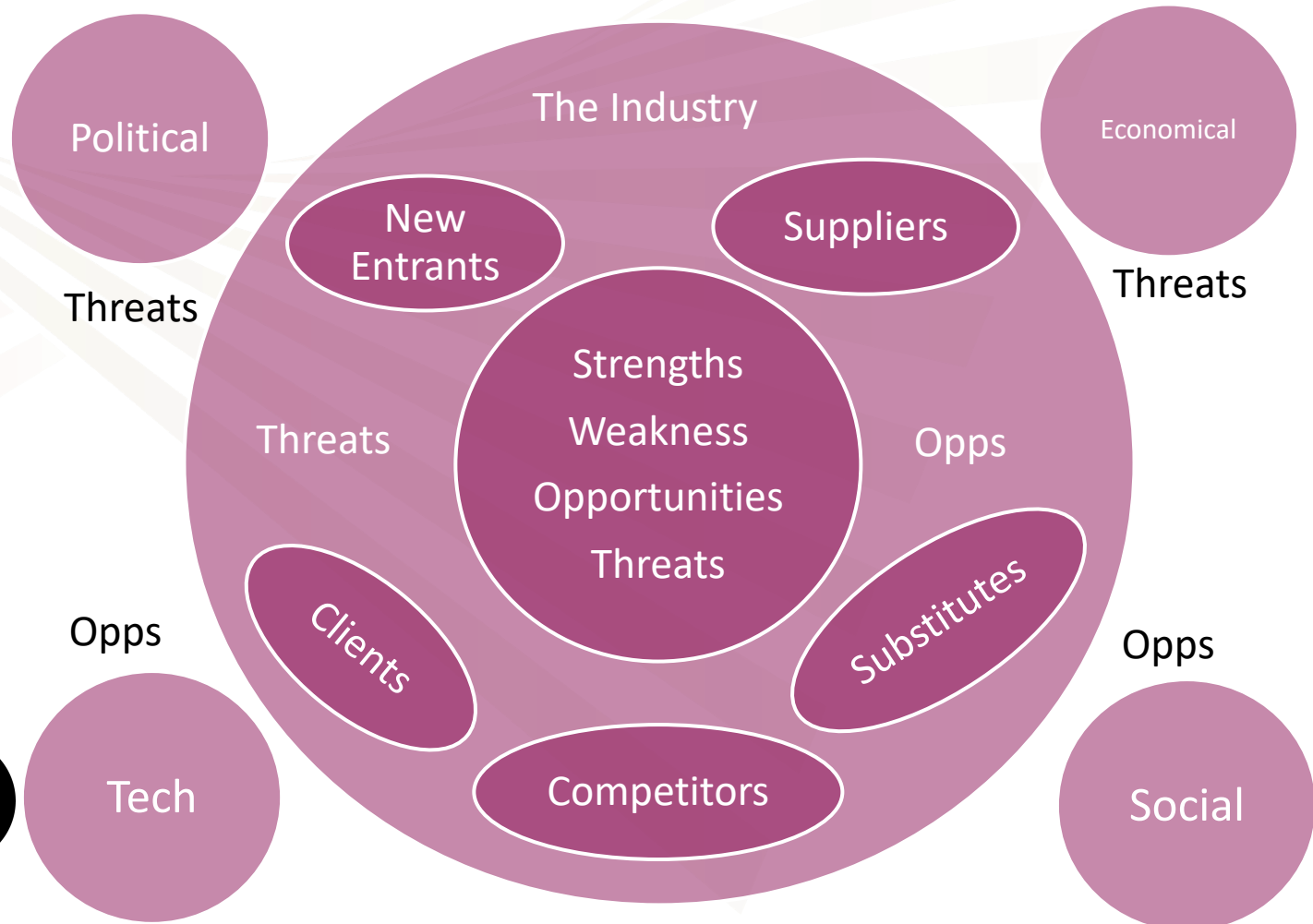
- Corporate values are between five and ten factors of the business culture considered as basic, that all the members of the organization fulfil in all the fields.
- It answers questions like: What do we believe? How we are?

Example of values (Apple Computer):

- Human resources are the most valuable element in an organization.
- Teamwork Excellence / Honor and listen to associates.
- Honesty / Transparency / Integrity

SECTION 2.2:

The Environment



SECTION 2.2:

Analysis of the environment: general



SECTION 2.2:

Analysis of the environment: general

PEST:

1. Political Factors: governmental and legal factors

- Government aspects that directly affect our activity: Tax or incentive policies, regulations, governmental stability, the system of government, legislation that is directly related to our sector
- Examples:
 - Government stability
 - Rule of majority
 - Taxation policy
 - Ease of initiation a business
 - Regulation and deregulations trends
 - Levels of corruption
 - Ease doing business

SECTION 2.2:

Analysis of the environment: general

PEST:

2. Economic factors:

- Macroeconomic data (and of our closest geographical environment), the evolution of GDP. Current and future economic scenarios.
- Stage of the business cycle: If the economic situation is prosperous or on the opposite is in a phase of crisis or recovery.
- Type of monetary policy: Inflationary trend of the prices, high or low interest rate.
- Changes in the economic environment.

SECTION 2.2:

Analysis of the environment: general

PEST:

2. Economic factors:

- Examples:

- Interest rates
- Inflation
- Unemployment rate
- Income level
- Labor cost
- Economic cycles
- Impact of globalization

SECTION 2.2:

Analysis of the environment: general

PEST:

3. Social factors: Demographical and social

- The factors to take in consideration are demographic evolution, social mobility and changes in lifestyle. Also, the educational level and other cultural patterns, fashions and consumption habits of the society. In short, social trends that may affect the way customers and potential customers consume our solutions or relate to us.
- Examples:
 - Population growth
 - Gender & Ethnic diversity
 - Health and education
 - Social welfare
 - Economic disparity
 - Digital disparity



SECTION 2.2:

Analysis of the environment: general

PEST:

4. Technological factors:

- Impact that technology has or will have on our sector and that will affect the need to adapt our offer, communication channels and service delivery ...
- Examples:
 - R&D Activity
 - Impact of emerging technologies
 - Impact of technology transfer
 - Technology diffusion
 - Technology transfer

SECTION 2.2:

Analysis of the environment: general

PEST Example:

Political	Economic	Social	Technological
<ul style="list-style-type: none">• Instability• Employment laws• Current and/or Future Legislation• Wars & conflicts• Government policies• Trading policies	<ul style="list-style-type: none">• International• Changes rates/taxes• Specific industry factors• Weather issues• Home economy• Market & Trade	<ul style="list-style-type: none">• Education• Culture• Opinions• Media• Image• Fashion• Demography• Brand	<ul style="list-style-type: none">• Innovation• R&D• Legislation• Intellectual property• Communications• Replacement Tech• Licensing

SECTION 2.2:

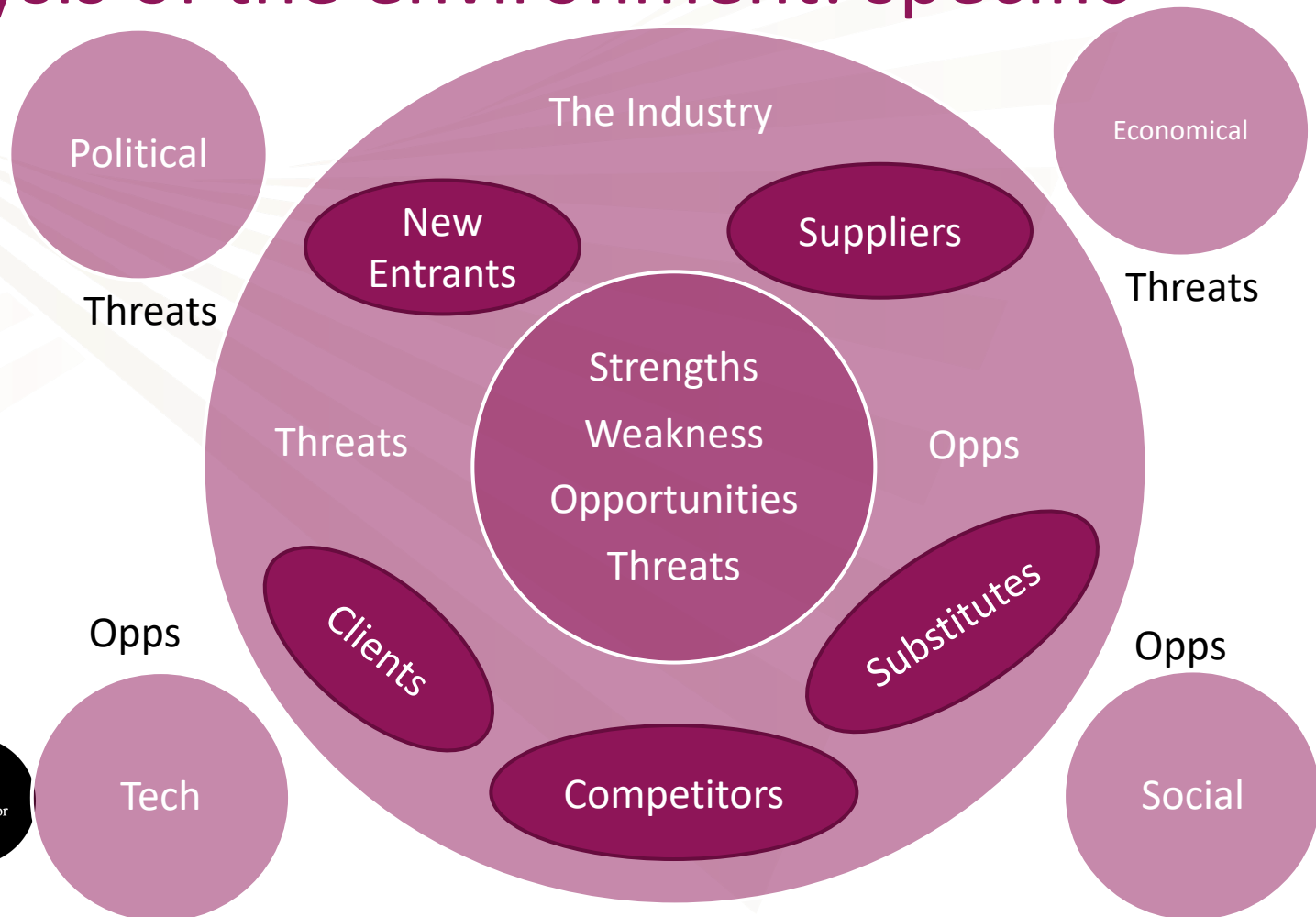
Analysis of the environment: general

PEST Summary:

- It allows us a global reflection and knowledge about our environment and identify trends to:
 - Helps decision-making by knowing in advance the market and the factors that will mark its growth or decline. Its potential and its attractiveness, allowing the identification and control of the risks it presents.
 - Anticipating changes in the environment and sector, preparing for the future and staying one step ahead of the market and our competitors. Facilitates planning and minimizes the impact of adverse scenarios.

SECTION 2.3:

Analysis of the environment: specific



SECTION 2.3:

Analysis of the environment: specific

- The framework for the analysis of the sector and its competitive environment depends on the development of the answers to these questions:
 1. What are the main economic characteristics of the industry?
 2. What factors are driving the change in the industry?
 3. Which are the competitive forces in the industry and how important are they?
 4. Which companies are in the strongest and weakest competitive positions?
 5. Who is likely to make the next competitive moves and what will they be?
 6. What key factors will determine competitive success or failure?
 7. Is the industry attractive in terms of its chances of having an above-average profitability?

SECTION 2.3:

Analysis of the environment: specific

Factors of the specific environment:

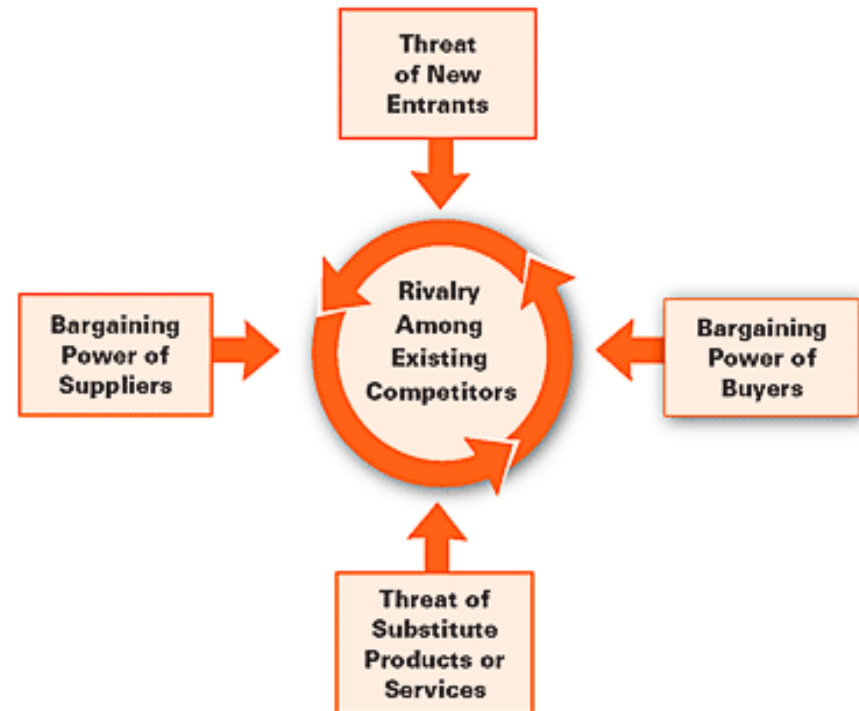
Five forces analysis

(Porter's model):



Michael Porter, professor of the Harvard Business School and has developed the logical of the competition

The Five Forces That Shape Industry Competition



SECTION 2.3:

Porter's five forces

- Porter's Five Forces Analysis is an important tool for understanding the forces that shape competition for any industry in terms of potential and competitive pressure.
- According to this model, there are different types of forces or elements that affect the viability (profitability) of the corresponding industry. Therefore, this model helps us determine the rules of the game for each industry and its restrictions, identifying the key factors that influence the profitability and viability of the company.
- Knowing therefore the power of the different competitive forces will help us to find our position in the industry.
- The intensity of the competitive rivalry of a given sector will depend of these five basic competitive strengths :

SECTION 2.3:

Porter's five forces

- Threat of new (competitors) entrants: the ease with which new competitors can enter the market if they see that you are making good profits (and then drive your prices down).
- Threat of substitute products or services: the extent to which different products and services can be used in place of your own.
- Bargaining power of suppliers: the ability of suppliers to drive up the prices of your inputs.
- Bargaining power of the buyers/clients: Capacity that exists in the sector to negotiate with customers (products and services).
- Rivalry among existing competitors: Result of the other forces. The rivalry between current competitors defines the profitability of a sector.

SECTION 2.3:

Porter's five forces

- Threat of new (competitors) entrants considerations:
 - What's the threat of new businesses starting in this sector?
 - How does easy is it to start up in this business?
 - What are the rules and regulations?
 - What finance would a start up need?
 - Are there barriers to entry which give you greater power?

SECTION 2.3:

Porter's five forces

- Threat of substitute products or services considerations:
 - How easy is it to find an alternative to your products or services?
 - What aspects of your products/services can your customers do manually?
 - How do cheaper substitutes measure up against your company for ROI?



SECTION 2.3:

Porter's five forces

- Bargaining power of the suppliers considerations:
 - How many suppliers are in the market?
 - Are there many options (which can lower prices) or just a few (which can raise them)?
 - How easy is it to switch, what's the cost?
 - How would changing suppliers affect your products/services?



SECTION 2.3:

Porter's five forces

- Bargaining power of buyers/clients considerations:
 - How powerful are your buyers/clients?
 - How many are there? What different kinds of buyers do you interact with?
 - Can the buyers get costs down?
 - Do they have the power to dictate terms?

SECTION 2.3:

Porter's five forces

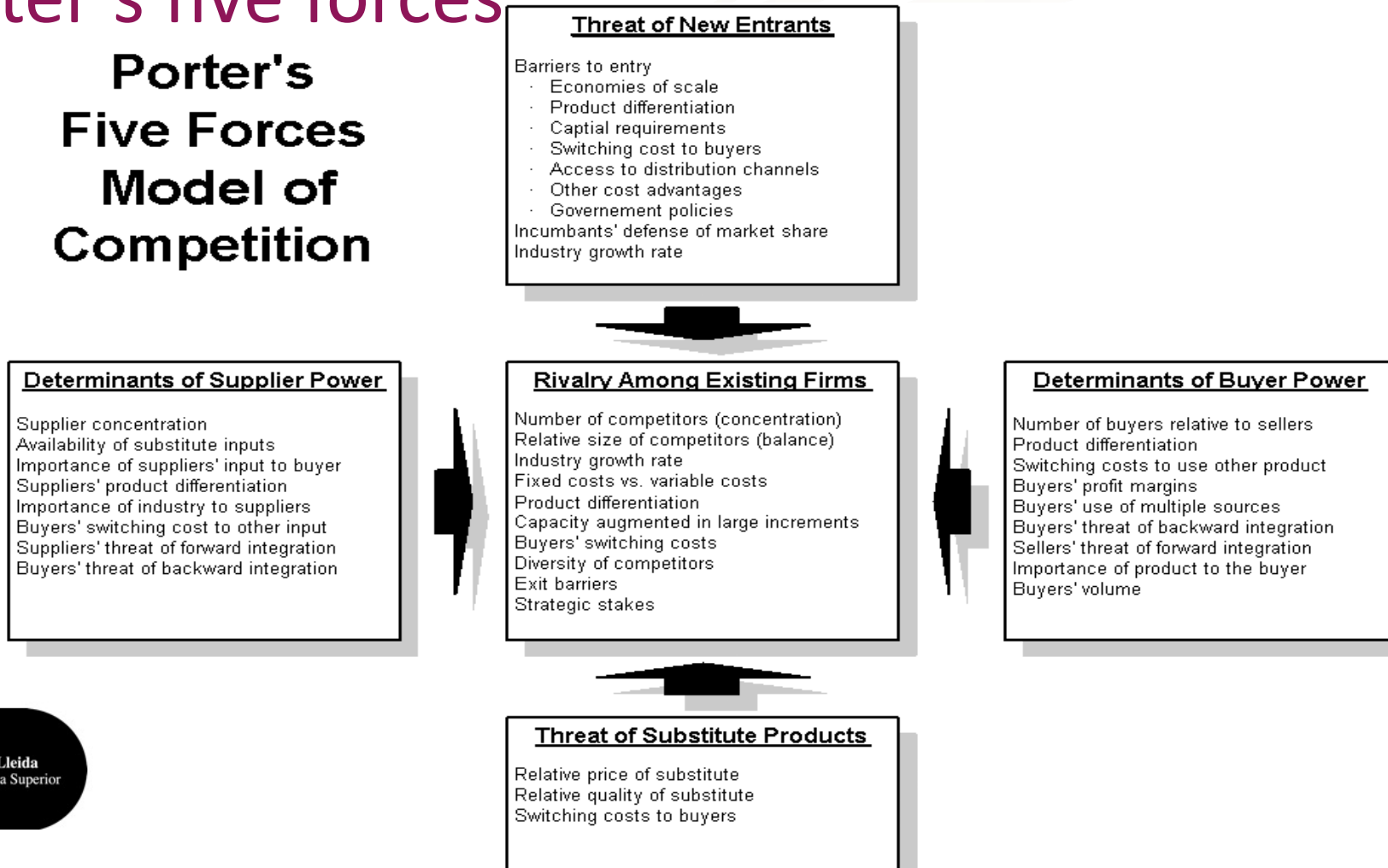
- Rivalry among existing competitors considerations:
 - What's the level of competition in your company's sector?
 - Who are your large, direct competitors? What advantages do they leverage over you?
 - Who are your smaller, independent competitors? What do they do to stay competitive?



SECTION 2.3:

Porter's five forces

Porter's Five Forces Model of Competition



SECTION 2.3:

Porter's generic competitive strategies

Generic strategies:

- Cost leadership: Consists of obtaining the **lowest market price** of any competition.
- Differentiation: Based on producing a product or service that the client or user sees as **unique or exclusive**.
- Focus: Consists of concentrating on a group of buyers in particular, in a segment of the product line, or in a geographic market.

SECTION 2.3:

Porter's generic competitive strategies

	Competitive Advantages		
Strategic Objectives		Low cost	Perception of singularity
	Broad Target	Cost Leadership	Differentiation
	Narrow Target	Cost Focus	Differentiation Focus

SECTION 2.3:

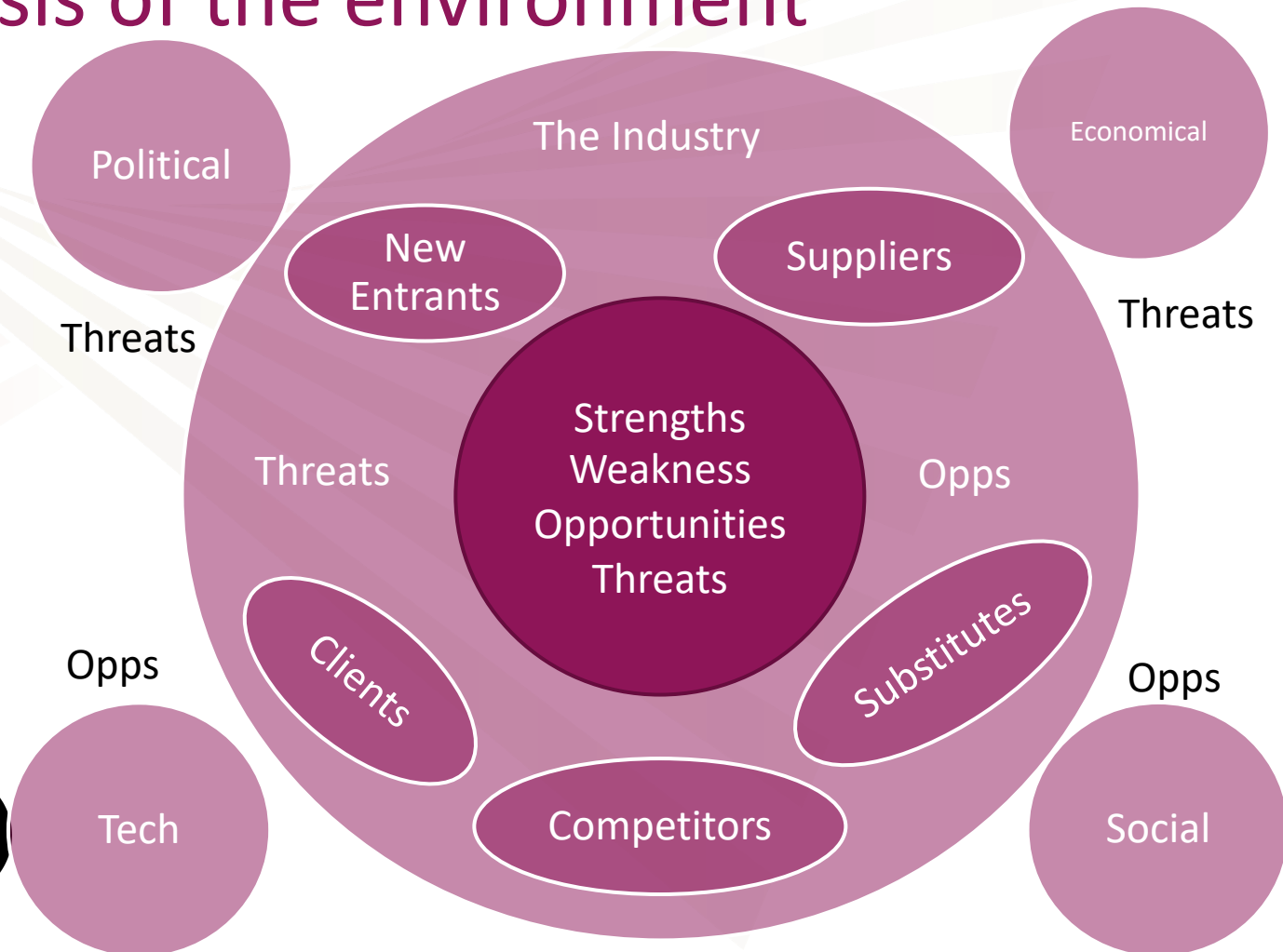
Porter's generic competitive strategies

Porter says that:

- It is extremely difficult to be a leader both in terms of costs and differentiation. Trying to achieve them and staying to do it can lead to not achieving any of the objectives.
- The reality is that the competitive advantage only takes until our competitors copy or exceed them. When competitors react, the original advantage begins to weaken, and a new initiative is needed.

SECTION 2.4:

Analysis of the environment



SECTION 2.4:

Strategic Diagnosis: SWOT Matrix

- It is a tool or procedure that allows us to analyze the reality of a company, business idea, corporation, product, project, brand, geographical areas, people, institutions, etc.
- It should be a preliminary step in the approach of any business project, or other types, and necessary for any development of strategic plans.
- Allows you to make decisions, establish strategies and make your strategic plan with a viable basis.

SECTION 2.4:

Strategic Diagnosis: SWOT Matrix

S Strengths

W Weaknesses

O Opportunities

T Threats

**Internal
aspects**

**External
aspects**

SECTION 2.4:

Strategic Diagnosis: SWOT Matrix

INTERNAL ANALYSIS

- **STRENGTHS.** The strong points or strengths are internal elements of the company that are competitive advantages.
- It answers questions like:
 - What business processes are successful?
 - What assets do you have in your team, such as knowledge, education, network, skills and reputation?
 - What physical assets do you have, such as customers, equipment, technology, cash, and patents?
 - What competitive advantages do you have over your competitors?

SECTION 2.4:

Strategic Diagnosis: SWOT Matrix

INTERNAL ANALYSIS

- STRENGTHS.

Examples:

Level, quality attitude and suitability staff	Customers and their relationship with them
Technologies and hardware	Good financial situation
Company structure, premises, geographical location, etc.	Anyone who believes or can create a competitive advantage.

SECTION 2.4:

Strategic Diagnosis: SWOT Matrix

INTERNAL ANALYSIS

- **WEAKNESS.** A weakness or WEAK point is an internal element of the company that implies a competitive disadvantage.
- It answers questions like:
 - Are there some things that your business needs to be competitive?
 - What business processes need improvement?
 - Are there tangible assets that your company needs, such as money or equipment?
 - Are there gaps on your team? Is your location ideal for your success?

SECTION 2.4:

Strategic Diagnosis: SWOT Matrix

INTERNAL ANALYSIS

- WEAKNESS.

Examples:

Internal resistance to change	Obsolete technologies and hardware
Lack of financing	Inexistent or bad R&D
Lack of knowledge or "expertise" keys	Company structure, sites, geographical location, etc.
Lack of objectives or strategic direction	Anyone who creates competitive disadvantage
Poor perception of the market and/or customers	Anyone that affects the smooth running of the company or corporation.

SECTION 2.4:

Strategic Diagnosis: SWOT Matrix

EXTERNAL ANALYSIS

- **OPPORTUNITY.** It is a circumstance or an element of the environment of the company that is potentially favorable for this. When the company takes advantage of the opportunities that presented to it, improves its business figure, the market share, the autonomy of action, etc.
- It answers questions like:
 - Is your market growing and are there trends that will encourage people to buy more of what you are selling?
 - Are there upcoming events that your company may be able to take advantage of to grow the business?
 - Are there upcoming regulation changes that might impact on your company positively?



SECTION 2.4:

Strategic Diagnosis: SWOT Matrix

EXTERNAL ANALYSIS

■ OPPORTUNITY

Examples:

Regulatory or legal changes	Cultural or behavioral changes of users or customers
Technologies changes	Changes in the market or competitors
Good financial situation	

SECTION 2.4:

Strategic Diagnosis: SWOT Matrix

EXTERNAL ANALYSIS

- **THREAT.** They are aspects of the environment that can lead to an unfavorable situation for the company. This potential adverse situation can be translated in a decrease in the ability to pay, a limitation of the autonomy to develop a specific strategy and an increase in risk, among other aspects.

SECTION 2.4:

Strategic Diagnosis: SWOT Matrix

EXTERNAL ANALYSIS

- THREAT
- It answers questions like:
 - Do you have potential competitors who may enter into your market?
 - Will providers always be able to supply the raw materials you need at the prices you need?
 - Could future technology developments change how do you do business?
 - Is consumer behavior changing in a way that could negatively impact into your business?
 - Are there market trends that could become a threat?

SECTION 2.4:

Strategic Diagnosis: SWOT Matrix

EXTERNAL ANALYSIS

- THREAT

Examples:

Regulatory or legal changes	Cultural or behavioral changes of users or customers
Technologies changes	Socio-political situation
General financial situation	Employment situation

SECTION 2.4:

Strategic Diagnosis: SWOT Matrix

Example	Strengths	Weaknesses
Internal Analysis	<ul style="list-style-type: none">• Different capacities• Natural advantages• Upper resources	<ul style="list-style-type: none">• Resources capacities• Resistance to change• Lack of employee motivation
	Opportunities	Threats
External Analysis	<ul style="list-style-type: none">• New technologies• Weakening of competitors• Strategic positioning	<ul style="list-style-type: none">• High risk – Changes in the environment

SECTION 2.4:

Strategic Diagnosis: SWOT Strategies

- Remember, the goal of a SWOT matrix is to be able to develop value strategies of our project. So, to achieve them, we can follow:
 - Combining the strengths with the opportunities because we will obtain the most promising lines of work and with more possibilities to succeed and generate a competitive advantage.
 - Convert weaknesses or threats into strengths or opportunities.
 - Consider the risks, combination of strengths and threats, to define correct strategies.
 - Consider the challenges, combination of weaknesses and opportunities, to define the right strategies.
 - If the threats or weaknesses can not be converted, it must be seen how to minimize, avoid or avoid them.



SECTION 2.4:

Strategic Diagnosis: SWOT Strategies

The organization	Strengths (Internal, positive)	Weaknesses (Internal, negative)
Opportunities (External, positive)	SO strategy: <u>Offensive (or aggressive)</u> . Which of the company's strengths can be used to maximize the opportunities identified?	WO strategy: <u>Reorientation (or adaptive)</u> . Which action(s) can you take to minimize the company's weaknesses using the opportunities identified?
Threats (External, negative)	ST strategy: <u>Defensive</u> . How can you use the company's strengths to minimize the threats you identified?	WT strategy: <u>Survival</u> . How can you minimize the company's weakness to avoid the threats you identified?

SECTION 2.4:

Strategic Diagnosis: SWOT Applying

- Offensive (or aggressive) strategies (SO):
 - They are obtained by linking Strengths with Opportunities, which represent an advantage positioning.
 - They are based on using strengths to take advantage of opportunities.
 - They are growth strategies that seek to relate the internal and external strengths to improve the situation.

SECTION 2.4:

Strategic Diagnosis: SWOT Applying

- Reorientation (or adaptive) strategies (WO):
 - They are obtained by linking Weaknesses to Opportunities, which represent a positioning of limitations (constraint).
 - They are based on overcoming the weaknesses to take advantage of opportunities.
 - They are strategies for reorientation or refocus, changing or improving some weakness elements to take advantage of opportunities.

SECTION 2.4:

Strategic Diagnosis: SWOT Applying

- Defensive strategies (ST):
 - They are obtained by linking Strengths with Threats, which represent a vulnerability position.
 - They are based on using strengths to avoid threats, by turning risks into opportunities.
 - They are reactive strategies.
 - They relate the internal strengths to counter external threats.

SECTION 2.4:

Strategic Diagnosis: SWOT Applying

- Survival strategies (WT):
 - They are obtained by relating Weakness with Threats, which represents a problematic positioning (problem).
 - They are based on minimizing weaknesses and avoiding threats.
 - It is a matter of relating the weaknesses internal and external to know the situation of the company with respect to the competitors and the mechanism to be used to reverse this situation.



SECTION 2.4:

Strategic Diagnosis: SWOT Strategies

The organization	Strengths			Weaknesses		
	1-	2-	3-	1-	2-	3-
Opportunities 1- 2- 3-	Strengths - Opportunities strategy: <u>Offensive</u> (or aggressive). Use strengths to take advantage of opportunities.			Weakness - Opportunities strategy: <u>Reorientation</u> (or <u>adaptive</u>). Overcome the weaknesses to take advantage of opportunities.		
	Str 1:	Str 3:		Str 1:	Str 3:	
	Str 2:	Str 4:		Str 2:	Str 4:	
Threats 1- 2- 3-	Strengths - Threats strategy: <u>Defensive</u> Use the strengths to avoid threats.			Weakness - Threats strategy: <u>Survival</u> . Minimize weaknesses and avoid threats.		
	Str 1:	Str 3:		Str 1:	Str 3:	
	Str 2:	Str 4:		Str 2:	Str 4:	

SECTION 2.4:

Conclusion

- The management of the company must be based on its strategic plan, objectives, mission and vision, a good DAFO / SWOT analysis, updated and dynamic, can allow us to establish strategies, both offensive and defensive, adaptive or survival to be able to guarantee the fulfillment of the strategic plan and the achievement of the objectives.