



Streamlining Corporate Decision Making

Tellusant on Strategy

2025



Introduction

We show Tellusant's frameworks for strategy development. It builds on **Structure-Conduct-Performance (SCP)** and the **Resource-Based View** of the firm (RBV). This is what we automate in our cloud-based solutions.

Strategy is a big topic. This short introduction only describes the key concepts. Building a strategy takes months and requires experts with decades of experience.

To learn more, read our [full framework called EMIO](#) which follows the same logic, but with more detail and a fuller description of why strategies are developed with these methods.

The strategy concept comes from military doctrine

STRATEGY

The coordination and focusing of the resources of the company for long-term success

OPERATIONS

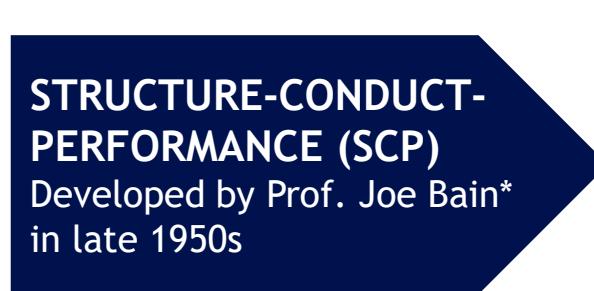
The functional and cross-functional plans for achieving the strategic goals, typically medium- to short-term

TACTICS

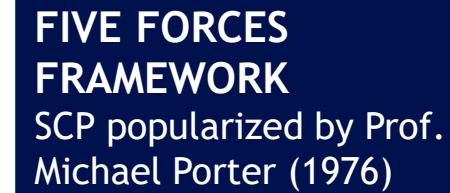
The short-term management of the company

Adapted from *Warfighting* by the US Marine Corps

Strategy is a mature discipline. We use the two most important theoretical strands



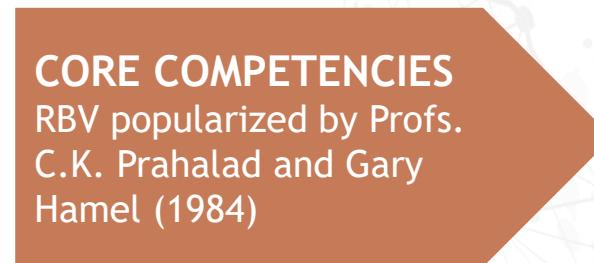
External perspective



Competitive advantage depends on **market dynamics**

Pros Logical and clear perspective on how a market works and a company's position within it
Cons In most cases, not an important lever for superior profitability
Necessary but not sufficient for competitive advantage

Internal perspective



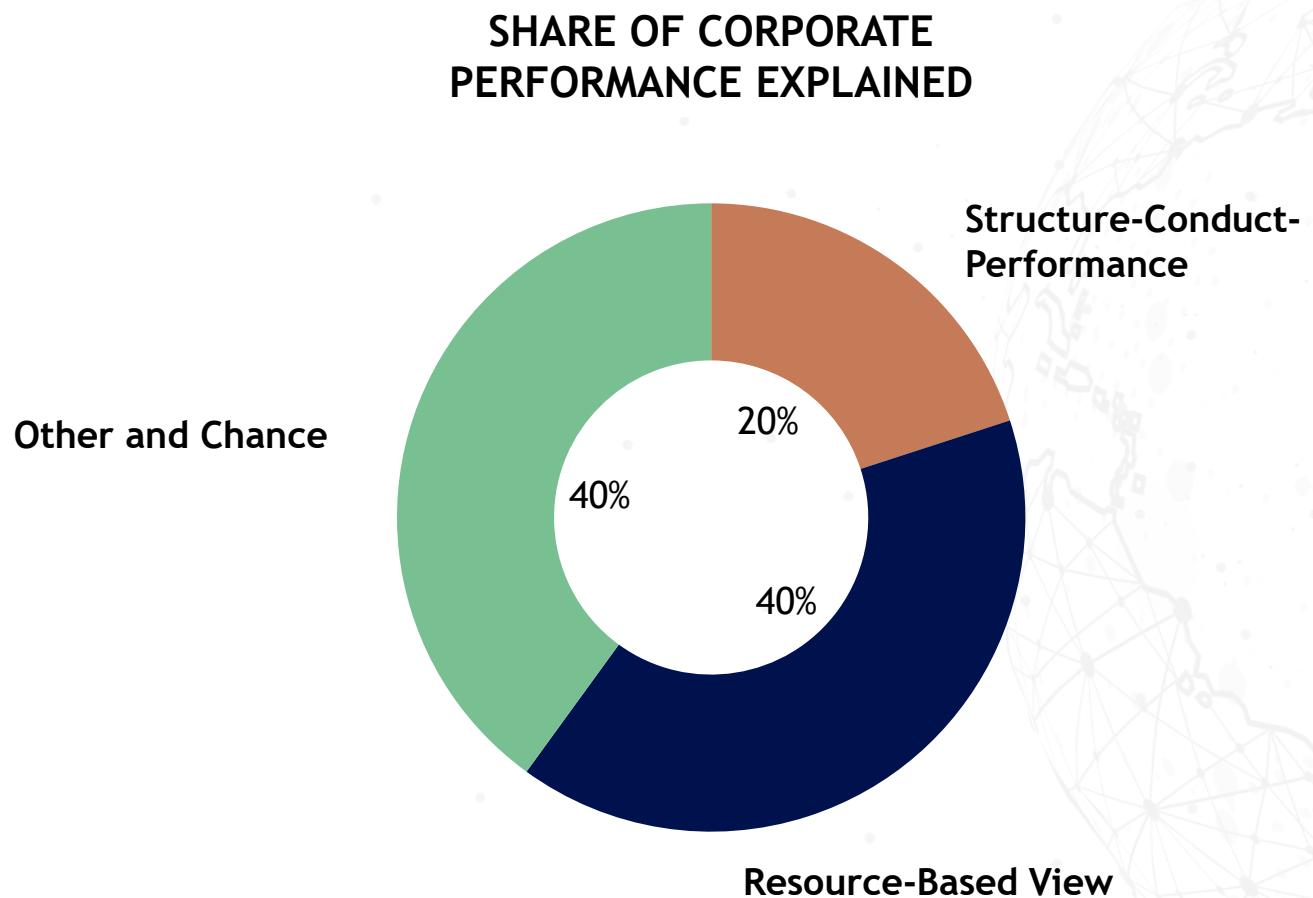
Competitive advantage depends on **available resources**

Pros Well implemented, leads to superior profitability
Cons Difficult to use and often changes into a human resources perspective, rather than strategy
Necessary and almost sufficient for competitive advantage

* No relation to Bain & Company



RBV explains more of a company's profitability than SCP, but both are important

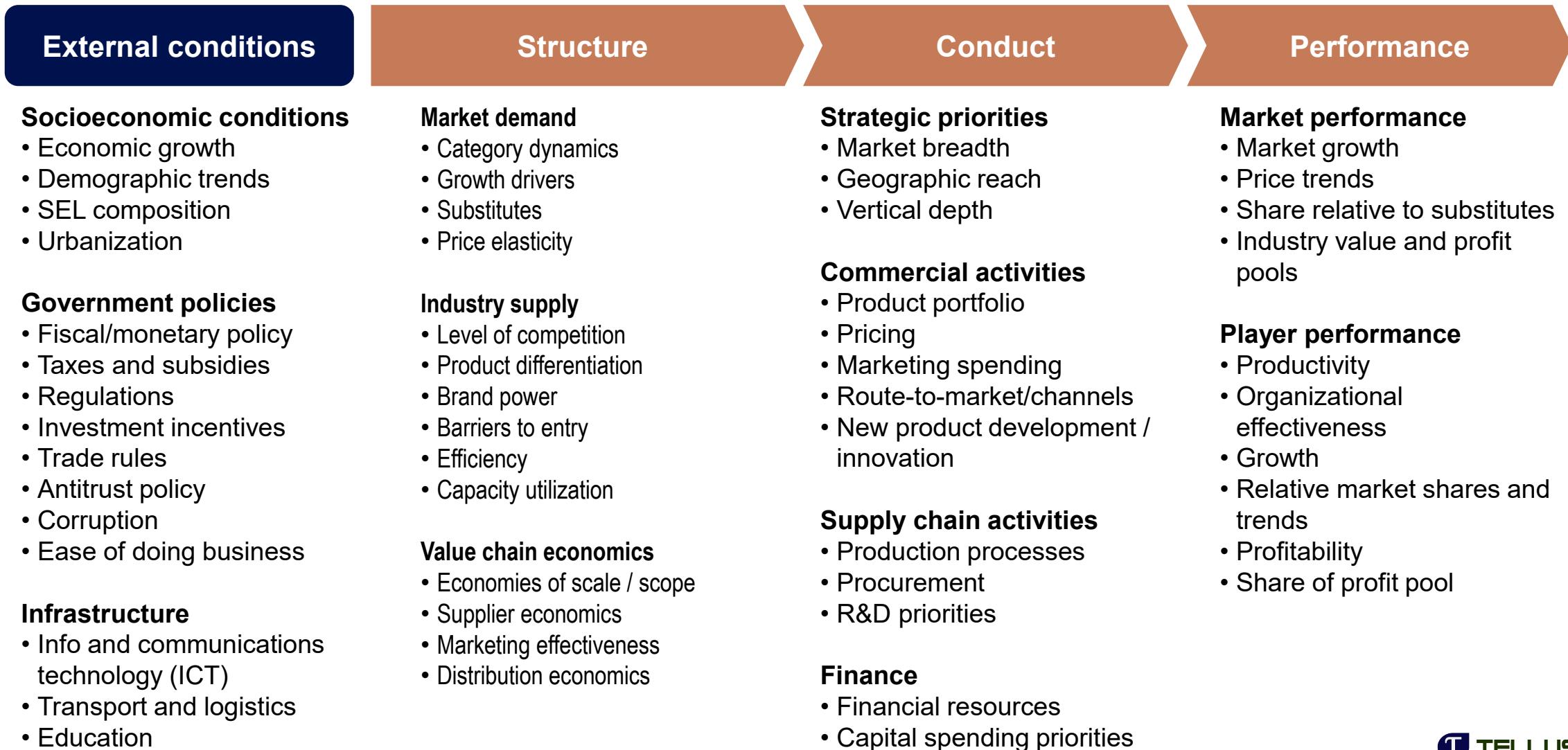


The classical focus on industry analyses is mistaken... long-run rates of return are not associated with industry, but with the unique endowments, positions, and strategies of individual businesses.

Prof. Richard Rumelt

The SCP framework is the standard approach for understanding market dynamics

STRUCTURE-CONDUCT-PERFORMANCE FRAMEWORK



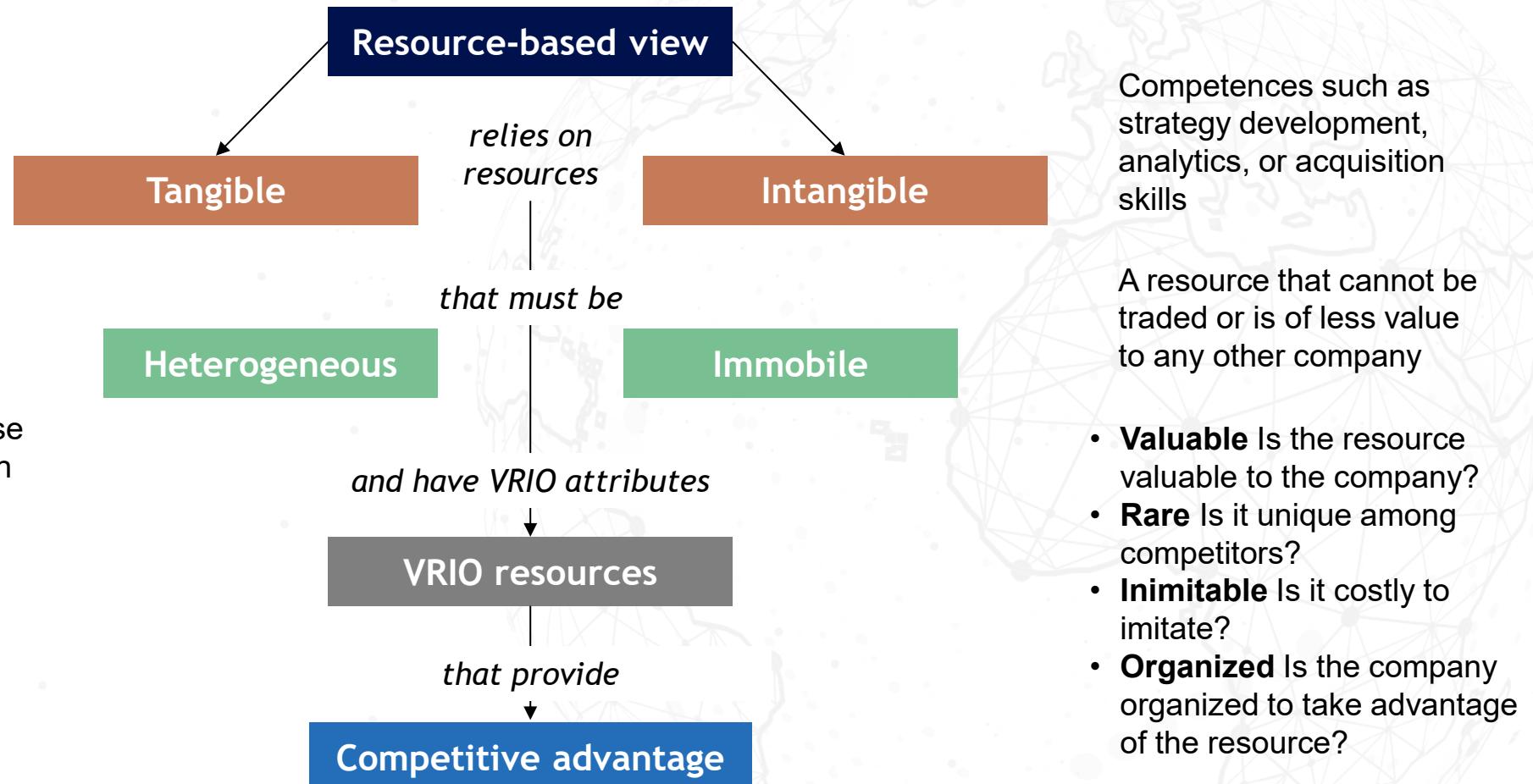
Example of SCP applied to the U.S. airline industry

External conditions	Structure	Conduct	Performance
<ul style="list-style-type: none">Partial deregulation in the late 1970s, but foreign competition not allowed	<p>Market demand</p> <ul style="list-style-type: none">High demand growth over past 40 years <p>Industry supply</p> <ul style="list-style-type: none">Initially high level of competition after deregulationLately, oligopoly with limited competition at most airports <p>Value chain economics</p> <ul style="list-style-type: none">Significant economies of scale in marketing (e.g., bonus programs)Low barriers to entry from a capex perspective, but high barriers at the gate at congested airportsInitially strong labor power which was later weakened by low cost of new airlines	<p>Strategic priorities</p> <ul style="list-style-type: none">Initially, cost cutting, but within hub-and-spoke paradigmLater, point-to-point for efficiencyCurrently, market (airport) dominance to raise barriers to entry <p>Commercial activities</p> <ul style="list-style-type: none">Competition moving from price competition to schedule and non-price attributes	<p>Market performance</p> <ul style="list-style-type: none">Return of capital << cost of capital for many yearsLately, signs of improvements and even return of capital > cost of capital <p>Player performance</p> <ul style="list-style-type: none">Winners have a) low operating and capital cost or b) dominance of hubsWeakest players bankrupt (several times) or absorbed by slightly stronger players

RBV looks at available resources and how they combine to create competitive advantage

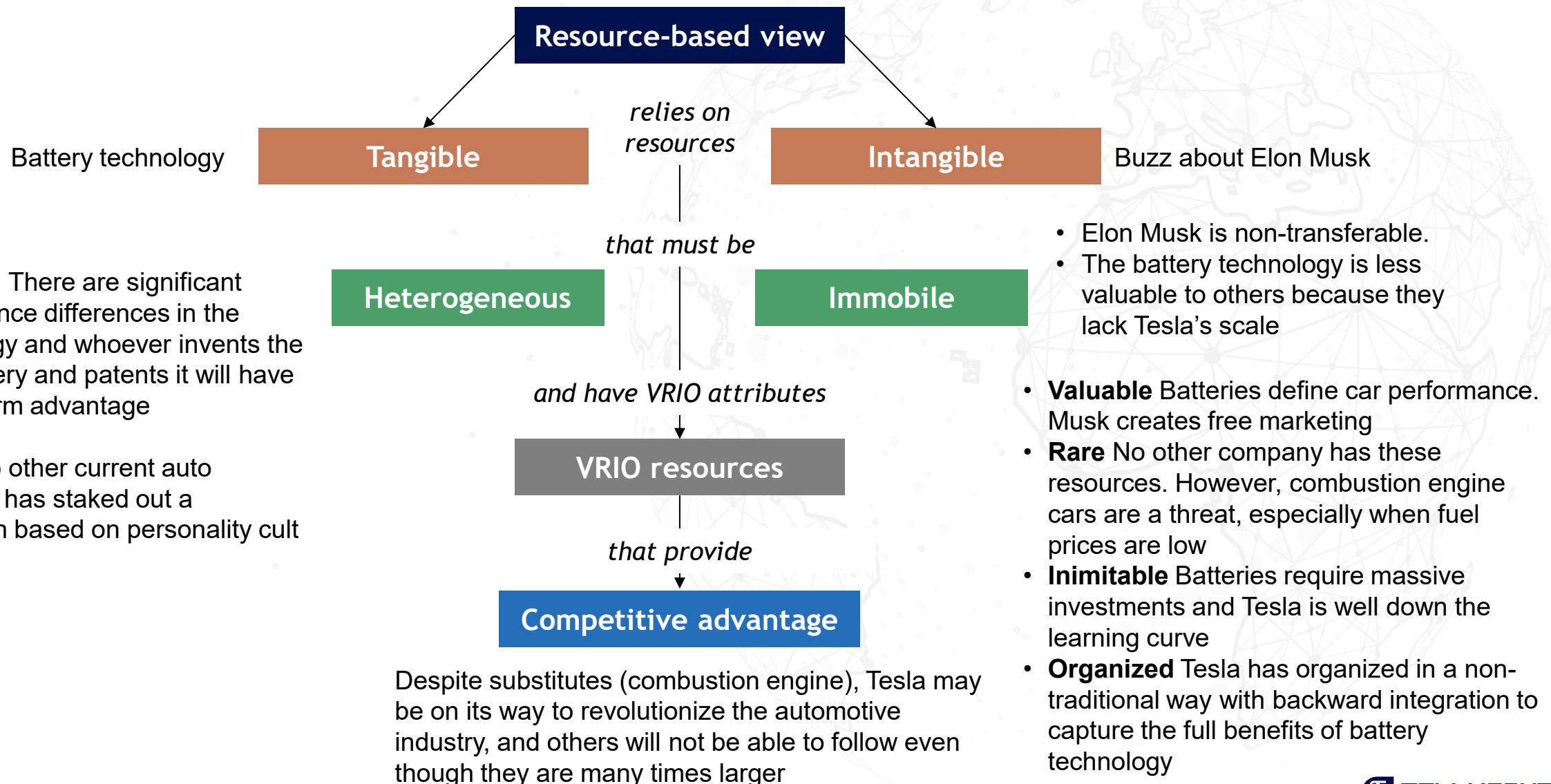
Functional resources such as marketing, or R&D (value chain)

Companies differ in resources. Those with marginal resources can expect to break even. Those with superior resources can earn superior returns



Competence is the company's capability to deploy the resources for competitive advantage

Example of RBV applied Tesla in 2017



RBV also includes the important VRIO (Valuable-Rare-Inimitable-Organized) concept

VRIO'S LINK TO COMPETITIVE ADVANTAGE

Valuable?	Rare?	Inimitable?	Organized?	Competitive implication
No				Competitive disadvantage
Yes	No			Competitive parity
Yes	Yes	No		Temporary competitive advantage
Yes	Yes	Yes	No	Unexplored competitive advantage
Yes	Yes	Yes	Yes	Sustainable competitive advantage

For more on VRIO, see this [Wikipedia article](#)

For VRIO's pervasiveness in strategy literature, see these [images](#)

We define strategy as a blend of RBV and SCP (internal and external views)

A strategy is an *integrated set of actions* chosen to *convert available VRIO resources* into *core competencies* within a *chosen market* to create *sustainable competitive advantage*

This definition captures all key aspects of SCP and RBV

Actions, not recommendations or analyses. A strategy has to be translated into implementation

VRIO = Valuable, Rare, Inimitable, and Organized

The *market* should have attractive SCP characteristics

Integrated across the value chain from sourcing to marketing

Available resources are both internal and external (e.g. distributors, professional service firms)

Core competencies is what the company is uniquely good at

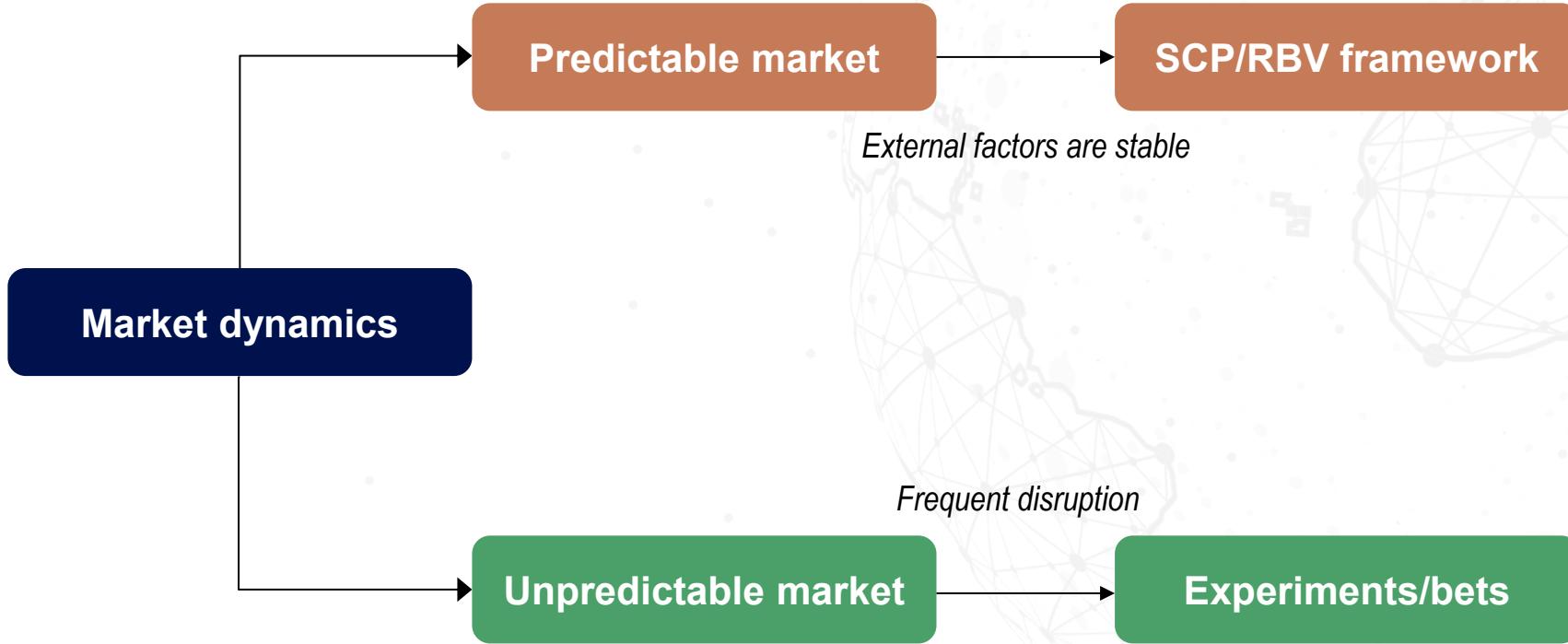
Competitive advantage is measured as financial performance

A strategy is an ***integrated set of actions*** chosen to ***convert available VRIO resources*** into ***core competencies*** within a ***chosen market*** to create ***sustainable competitive advantage***

Sustainable in the 3 to 7-year range because nothing is forever

Not all strategies should be based on SCP and RBV. Experiments and bets play an important role too

Although SCP and RBV succeed in predictable industries, less predictable markets require experiments and placing bets





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