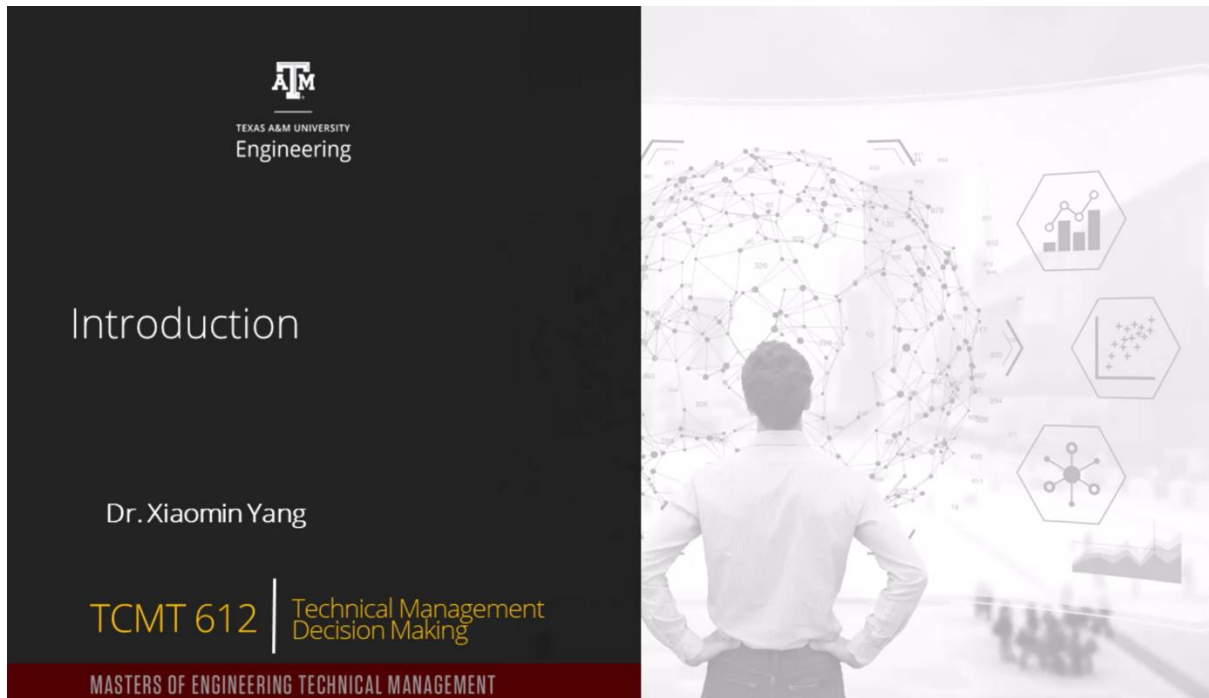


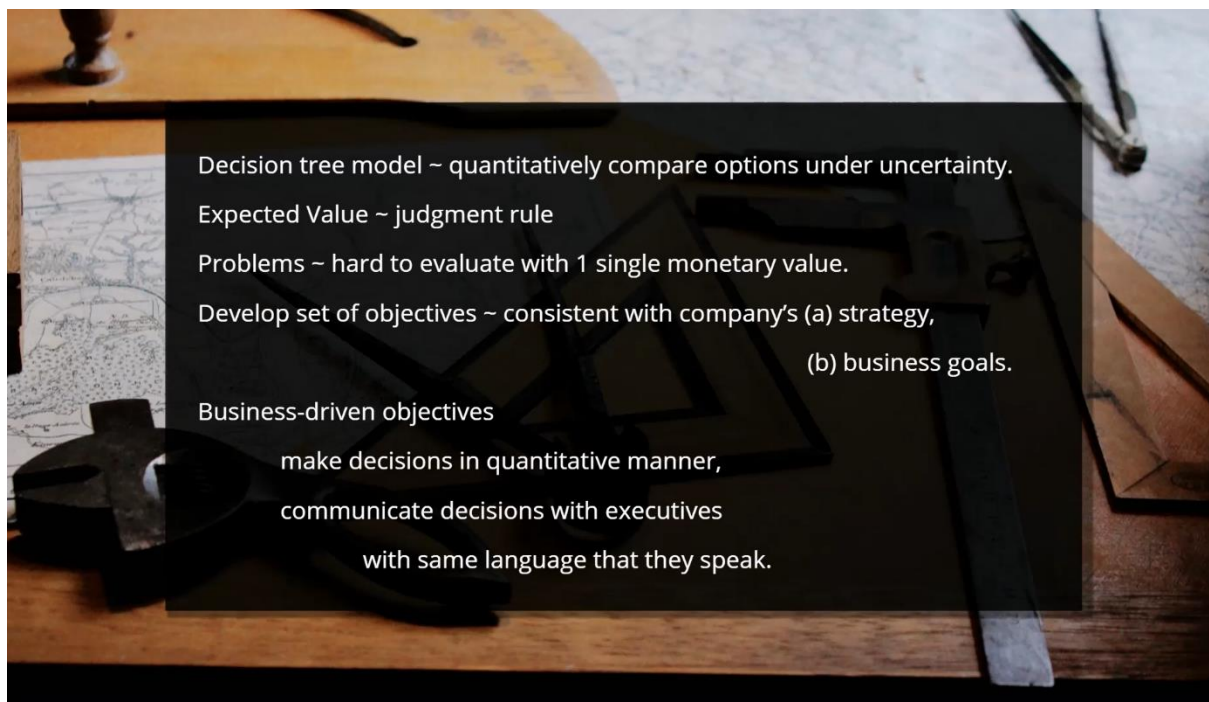
# M5L1. Module Introduction

## Slide #1



In this topic, we will introduce align decision with business strategy.

## Slide #2



We discussed the decision tree model that we can use to quantitatively compare different options under uncertainty.

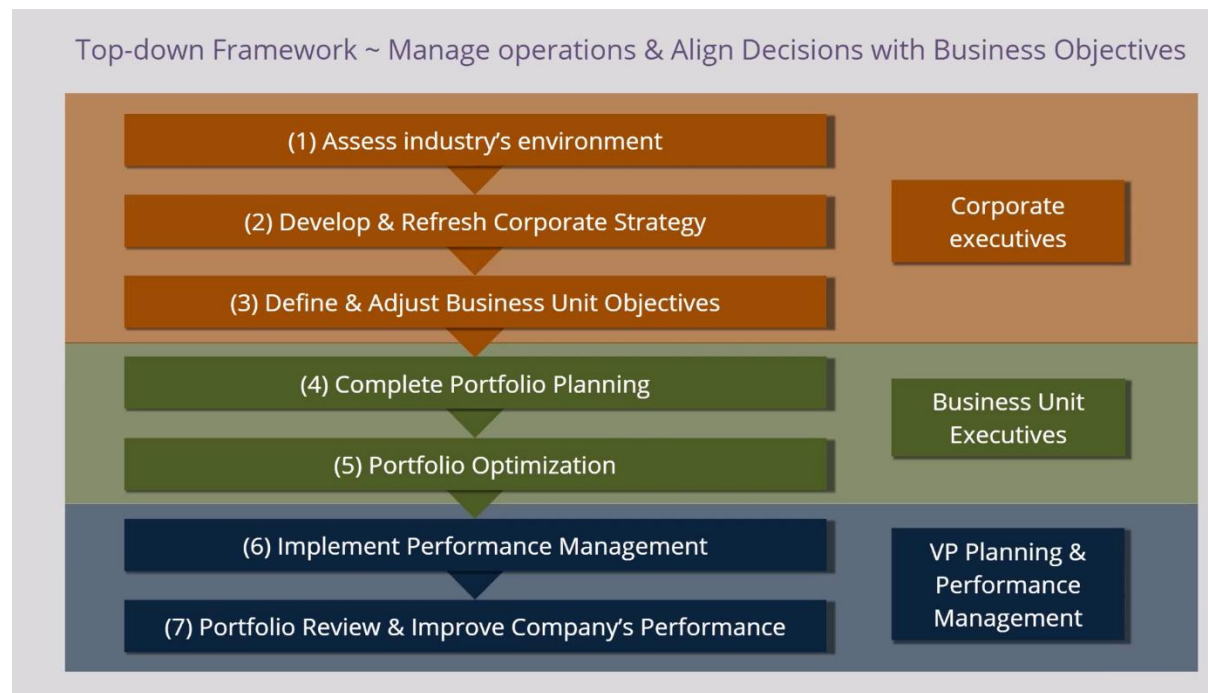
The examples that we went through used expected value as judgment rule.

However, the problems that you face as a manager may be hard to evaluate with one single monetary value.

I am going to talk about how we develop a set of objectives that are consistent with your company's strategy and the business goals.

The business-driven objectives not only enable you to make decisions in a quantitative manner, but also communicate your decisions with executives with the same language that they speak.

### Slide #3



Many organizations follow a top down framework to manage its operations and align decisions at the different levels with its business objectives.

The framework includes the following seven steps.

First is to assess the industry's environment, which determines the profitability of an industry.

Second is to develop and refresh corporate strategy.

How firms apply their core competencies, business model, or network to achieve a profit above the industry average.

The third step is to define and adjust the business unit objectives, both short term and long term.

Each business sets a series of clear objectives that it promised its shareholders.

Executives manage its operations to achieve its performance objectives.

The fourth step is to complete a portfolio planning.

Companies establish a set of performance metrics to evaluate its project portfolio and make decisions accordingly.

The fifth step is to make portfolio optimization decisions.

Decide what projects to work on to maximize value and minimize cost.

After decisions are made, we also need to implement performance management, which measures the performance of business against its objectives. and adjusts operations accordingly.

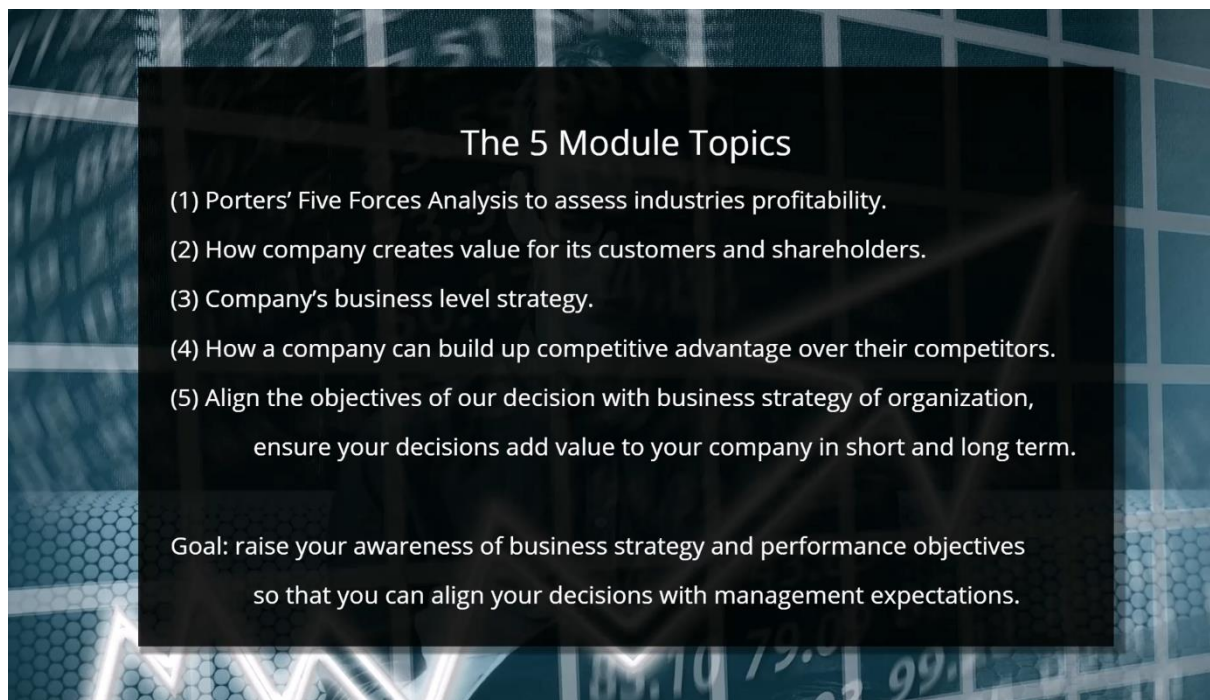
The last step is to periodically perform portfolio review and continuously improve a company's performance.

The management responsibilities for these activities reside in different levels of a company's hierarchy.

The strategy is managed at the top level, while portfolio decisions are typically made at the business or department level.

Performance management and continuous improvement fall into the responsibilities of the Vice President of planning and performance management.

#### **Slide #4**



In this module, we are going to cover five topics.

The first is Porter's Five Forces Analysis to assess industry's profitability.

Then, we will talk about how a company creates value for its customers and its shareholders.

After that, we will discuss a company's business level strategy and how a company can build up competitive advantage over their competitors.

At the end, we will combine all the business knowledge to discuss how we can align the objectives of our decision with the business strategy of your organization, so that you can ensure your decisions add value to your company in the short term and long term.

The strategy topics are the core of an MBA education, and this module is more or less a miniature version of an MBA strategy course.

The ultimate goal of this module is to raise your awareness of business strategy and performance objectives so that you can align your decisions with your management expectations.