

Introduction to Tying the Strategy Pieces Together

I. Introduction

- a. Purpose of this video is to give you a high-level overview of how the strategy tools and frameworks fit together
- b. This will be a helpful review of how they can be applied and used together in strategic analysis

II. Fundamental Principle

- a. Efforts lead to insights that enable us to make better business decisions as we manage and run our business.
- b. Our starting question before we start a strategy tool or framework should be, "What insight do we hope to gain?"

III. Two Main Categories of Strategy

- a. Business strategy
 - i. How do you compete in a particular environment for particular customers?
- b. Corporate strategy
 - i. Higher level set of questions
 - 1. Which competitive environments does the corporation compete in?
 - 2. How many businesses does it operate?
 - 3. How do those businesses work together?
 - ii. A single corporate strategy may include many businesses that each have their own unique markets and strategies

IV. Business Strategy

- a. Answers to four key questions:
 - i. Where do we compete?
 - 1. PEST Analysis (Political, Economical, Social, and Technological): external environment of where we compete
 - 2. PEST Analysis helps us know how trends in these four areas affect our customers, competitors, suppliers, buyers, and likelihood of new viable substitutes
 - ii. What unique value do we offer?
 - 1. Compete on price
 - 2. Differentiation of product
 - iii. How do we deliver that unique value?
 - 1. Resources and capabilities
 - a. Resources (tools): cash, property, equipment, intellectual property, customer base, knowledge, and brand
 - b. Capabilities: what the firm can do with its resources/tools
 - 2. Execution practices
 - a. Jay Galbraith's Star Model for organizational design
 - b. Alignment is required between the firm's internal structures, processes, people, rewards, and overall strategy of the business
 - 3. We should see that our resources, capabilities, and execution practices directly lead to our unique value, which fits nicely in our external environment.

- iv. How do we sustain our ability to do so?
 1. The prior questions really help us understand the current strategy and may help us to see what strategy we will need in the future.
 2. Is our current position defensible?
 3. Can another competitor unseat us and steal our customers?
 4. There may be barriers to imitation that can impeded our competitors, or there may not be any barriers to protect us. Can we create barriers?
 5. We can use insights from our analysis to inform us on what to do going forward.

V. Corporate Strategy

- a. What businesses are we in and how do they fit together?
- b. 2 simple ways of thinking about corporate strategy
 - i. Vertical integration
 1. We own several sequential steps in the production of a product or delivery of a service.
 2. One of the businesses is a customer of one of our other businesses
 3. Answers to the 4 key questions above may be different or the same across the businesses of the value chain (process from raw materials to consumption).
 - ii. Diversification
 1. Businesses may be related, but are not sequential steps in the value chain
 2. Our corporation has three different companies that are in three different environments that offer different unique values.
 3. The resources and capabilities may be similar or different. It highly depends on what the corporation is trying to accomplish and how similar the business environments are to each other.

VI. Conclusion

- a. Using these strategy pieces together will give you stronger tools to generate strategic insights